

FINANCIAL STATEMENTS

For the
Fiscal Year Ended
June 30, 2005

350 South Main
Spanish Fork, Utah 84660
www.Nebo.edu

NEBO SCHOOL DISTRICT
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Year Ended June 30, 2005

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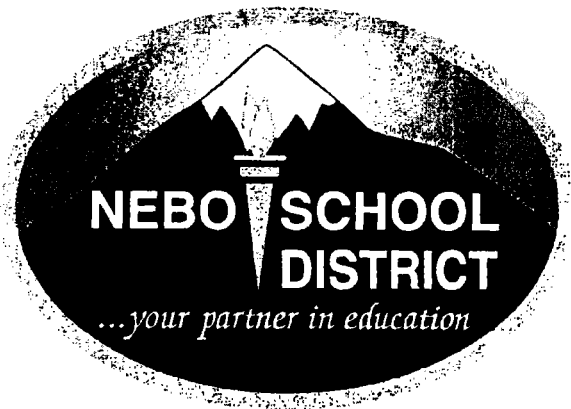
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Introductory Section



Chris Sorensen
Superintendent

Tracy Olsen
Business Administrator

350 SOUTH MAIN STREET □ SPANISH FORK, UTAH 84660
PHONE (801) 354-7400 □ FAX (801) 798-4010

November 30, 2005

To the Members of the Board of Education and the Patrons of Nebo School District:

We are pleased to introduce Nebo School District's annual financial report for the fiscal year ended June 30, 2005. This report is published to provide information, both financial and non-financial in nature, to be used not only by the Board of Education and other administrative officers of the District, but also by taxpayers and patrons of the District, investors, creditors, grantor agencies, oversight entities, consumer groups, and District employees.

This report is prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) and audited by a firm of licensed certified public accountants in accordance with auditing standards generally accepted in the United States of America. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the District. Management assumes full responsibility for all of the information presented in this report. The District believes that the presentation of the report is accurate in all material respects, and the financial position and results of operations are presented fairly. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

Designed to meet the needs of a broad spectrum of readers, this report is divided into three major sections: an introductory section, a financial section, and a statistical section.

The *introductory section* introduces the reader to the report and includes this transmittal letter, the list of elected and appointed officials, and the organizational chart of the District.

The *financial section* consists of the independent auditor's report, management's discussion and analysis, the basic financial statements, and combining and individual fund statements and schedules.

The *statistical section* is presented to comply with the requirements of various bond issuances and contains substantial financial and non-financial information.

In this letter of transmittal, we wish to highlight several topics including internal controls, independent audit, management's discussion and analysis, District profile, budgetary control, cash management and investments, risk management, economic condition and outlook, and enrollment growth.

Internal Controls

This report consists of management's representations concerning the finances of the District. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed both to protect the District's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material aspects.

Independent Audit

Utah State Law requires that school districts publish within five months of the close of each year a complete set of financial statements which are audited by a firm of licensed certified public accountants. Squire & Company, PC, a firm of licensed certified public accountants, has audited the District's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2005 are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unqualified opinion that the District's financial statements for the fiscal year ended June 30, 2005 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the District includes a federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the District's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the District's separately issued Single Audit Report.

Management's Discussion and Analysis

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of *management's discussion and analysis* (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in connection with it. The District's MD&A can be found immediately following the report of the independent auditor.

District Profile

The District was established by Article X, Section 6 of the Constitution of the State of Utah, which was passed by a vote of the people in November of 1875 and accepted by the United States government on January 4, 1896. The District is one of 3 independent school districts in Utah County and is a legally separate entity enjoying all rights and privileges accorded political subdivisions in the State of Utah. The District is fiscally independent and the policymaking and legislative authority are vested in the Board of Education (Board) currently consisting of seven members.

The Board's responsibilities, among others, are to develop policy, adopt the budget, levy taxes, incur bonded debt, supervise committees, and hire both the Superintendent and the Business Administrator. The Superintendent and Business Administrator are responsible for carrying out the policies of the Board and overseeing the day-to-day operations of the District. The Board is elected on a non-partisan basis and Board members serve four-year staggered terms with no more than four members elected every two years.

The major purpose of the District is to provide public education for those who reside within the boundaries of the District which is located in the southern portion of Utah County, Utah. The District serves a population of approximately 100,000 citizens spread over an area of 1,300 square miles comprising the land area in Utah County south of the Provo City limits. The District currently serves nearly 25,000 students through three traditional high schools, three junior high schools, three middle schools, and 22 elementary schools. The District also operates two special purpose programs, Young Parents High and Oakridge School, and an alternative high school, Landmark High.

Budgetary Control

During June of each year, the Superintendent submits to the Board a proposed operating budget for the next fiscal year commencing July 1st. This budget includes proposed expenditures and the means of financing them and acts as the financial operating plan for the entire fiscal year. Revisions may be implemented during the year authorizing increased appropriations of available resources through a public hearing and approval from the Board.

If the District does not increase the certified tax rate, a public hearing is held prior to June 22nd of each year at which time the budget is legally adopted by resolution of the Board after consideration of the proposed budget and after obtaining taxpayer input. If the District exceeds the certified tax rate the budget is adopted in August when data is available to set the tax rates.

All annual appropriations lapse at fiscal year end with the exception of those indicated as a fund balance reserve.

The level by which expenditures may not exceed appropriations has been interpreted by the State Superintendent of Public Instruction to be the total budgeted expenditures of a given fund.

Cash Management and Investments

The District maintains a cash and investment pool through the Utah State Public Treasurers' Investment Fund that is available for all funds. This pool has deposits and other investments with varying maturity dates.

The State of Utah Money Management Act with the State Money Management Council (Council) governs the District's investment policies and provides a measure of depository protection. The Council issues a list of qualified depositories to public treasurers quarterly and monitors the maximum amount of public funds each depository is eligible to hold in accordance with the law and the rules of the Council. State law and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. If a qualified depository should become ineligible to hold public funds, the public treasurers are notified immediately.

The District considers the actions of the Council to be necessary and sufficient for adequate protection of its uninsured bank deposits.

Risk Management

The District is insured for workers' compensation by Utah School Boards Risk Management Mutual Insurance Association. Unemployment compensation is handled on a cost of benefits reimbursement basis with the State of Utah. The District participates in the State Risk Management system for property and liability insurance. This is a pooled arrangement where the participating entities pay annual premiums, which are designed to pay claims and build sufficient reserves so that the system will be able to protect the participating entities with its own capital. The pool reinsures excess losses to preserve the capital base.

Economic Condition and Outlook

The economic outlook of the District is heavily dependent on state aid which provides 75% of *general fund* revenues. The state Uniform School Fund was established constitutionally in 1938 and is used to equitably allocate funding for public education statewide. Since 1947, all taxes based on income have been constitutionally required to be used for public education. In 1996, however, voters in Utah approved a constitutional change providing that these revenues could also be used for higher education. Additionally, a statewide property tax rate is levied to finance the Uniform School Fund and is applied against the taxable value of real and personal property.

The 2005 Economic Report to the Governor of the State of Utah, which can be found online at <http://governor.utah.gov/dea/ERG2005.html>, indicates the following information related to the Utah economy:

- Overview – Utah's economy improved significantly in 2004. The slowdown beginning with the 2001 recession has ended and growth has accelerated. This growth is a welcome contrast to 2003, when Utah's economy was flat.
- Job Growth – Utah outperformed the nation in 2004 with job growth of 2.5% compared to just 1.0% nationally. Utah has strong internal population growth, a young, well-educated workforce, low business costs, and a strong work ethic. Of all sectors, construction showed the largest gain followed

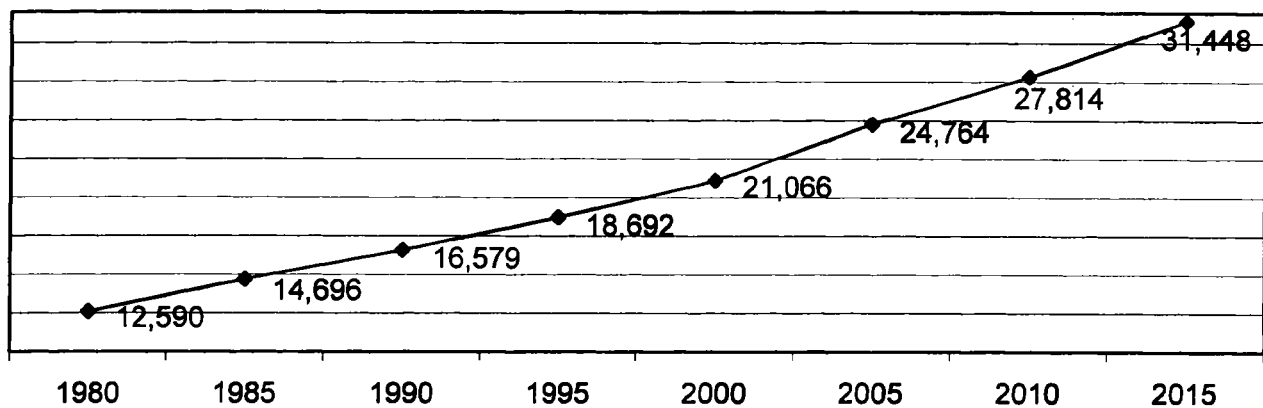
closely by the professional and business service sectors. Utah's technology sector continued a decline in 2004 but the pace of technology job losses slowed significantly compared to the three prior years. As 2004 closed, Utah's economy accelerated out of its worst slump since 1954. Employment growth is expected to average 2.4% during 2005. With employment growing at a good pace, the unemployment rate is expected to fall from 5.3% in 2004 to 4.6% in 2005.

- Population – Utah's population grew 2.3% during 2004, more than twice the national rate. While Utah experienced strong net migration, the difference between births and deaths accounted for nearly 70% of the growth. Utah continues to lead the nation in total fertility, or the number of births each woman can expect during her lifetime, so births should continue at or above the current levels for the foreseeable future.
- Agriculture – Utah's agriculture production and income rose sharply in 2004 and as the drought ends, the value of agricultural production in Utah during 2005 should hit record levels.
- Outlook for the future – Most economic indicators call for continued employment and population growth during 2005 and the Utah economy is expected to outperform the national economy.

Enrollment Growth

Over the past 25 years, the District has nearly doubled the total number of students served. This astonishing growth however has been slowed this year with the introduction of two charter schools within the District boundaries. The October 1, 2005 enrollment count of 24,764 students was a decrease of 123 students over the previous year's count. One more charter school is slated to open next fall. However, even with this planned charter school, we expect to have significant growth next year and for the foreseeable future.

The following is a chart showing the enrollment trends since 1980 along with the District's estimates through 2015:



Acknowledgements

Nebo School District expresses its appreciation to the entire finance department. The preparation of this report on a timely basis could not be accomplished without their efficient and dedicated services.

Additionally, we express our appreciation to members of the Board of Education. Their interest and support in conducting the financial affairs of the District was critical to the success of District operations and achievements made during the fiscal year ended June 30, 2005.

The District also expresses appreciation to all the members of the departments and schools who assisted in the appropriate management, timely processing, and closing of the District's financial records. Their diligence and dedication is crucial to the proper management of the District's financial assets and the overall delivery of quality services to District patrons.

Respectfully submitted,



Chris Sorensen
Superintendent

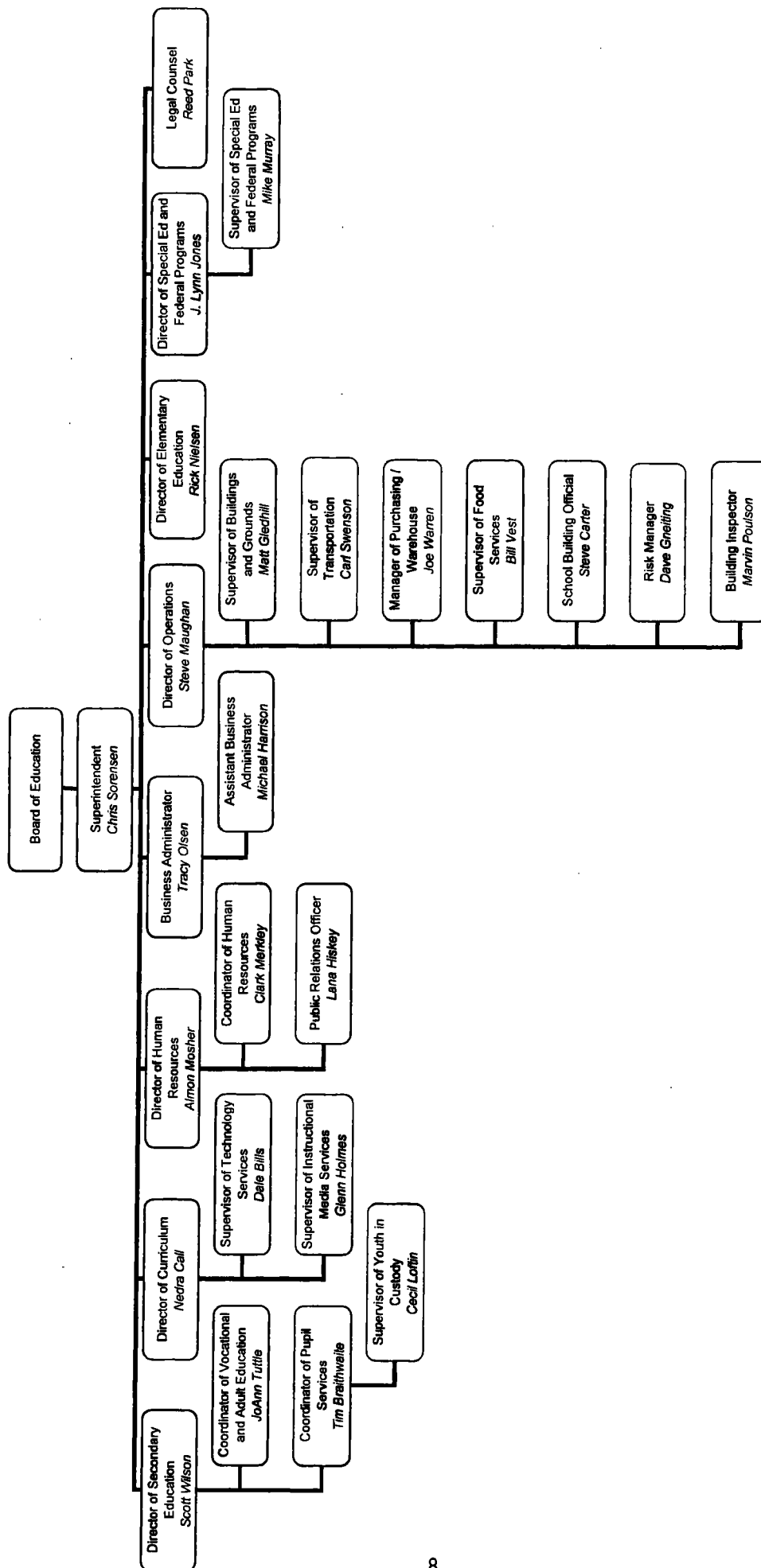


Tracy Olsen
Business Administrator

NEBO SCHOOL DISTRICT
List of Elected and Appointed Officials
 June 30, 2005

Official	Title	District	Present Term Began	Present Term Ends	Initial Term or Appointment
Elected:					
K. L. Tischner	Member of the Board of Education	1	January 3, 2005	January 5, 2009	January 3, 2005
J. Collin Allan	Member of the Board of Education	2	January 3, 2005	January 1, 2007	January 5, 1981
Randy Boothe	Member of the Board of Education	3	January 3, 2005	January 5, 2009	January 3, 2005
Debbie Swenson	Member of the Board of Education	4	January 6, 2003	January 1, 2007	January 6, 2003
Bonnie J. Palmer	Vice President of the Board of Education	5	January 6, 2003	January 1, 2007	January 5, 1987
R. Dean Rowley	Member of the Board of Education	6	January 3, 2005	January 5, 2009	January 3, 2005
Kaye Westwood	President of the Board of Education	7	January 3, 2005	January 5, 2009	January 4, 1993
Appointed:					
Chris Sorensen	Superintendent		August 1, 2004	June 30, 2006	August 1, 2004
Tracy Olsen	Business Administrator		July 1, 2005	June 30, 2007	July 1, 1997

NEBO SCHOOL DISTRICT Organizational Chart June 30, 2005





Financial Section



Independent Auditor's Report

Board of Education
Nebo School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Nebo School District (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2005 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis which follows this report is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund financial statements and schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Squire & Company, PC

August 26, 2005

NEBO SCHOOL DISTRICT
Management's Discussion and Analysis
June 30, 2005

This Management's Discussion and Analysis (MD&A) section of Nebo School District's (District) annual financial report presents management's discussion and analysis of the District's performance during the year ended June 30, 2005. The MD&A is intended to provide an analysis directly related to the information presented in the transmittal letter found in the *introductory section* of this report and the District's financial statements, which follow this section.

Financial Highlights

The following highlights are considered by the District to be critical factors in measuring the District's financial performance for the year ended June 30, 2005:

- The District's total assets exceeded liabilities by \$97.8 million at the close of the fiscal year.
- During the year, \$149.7 million generated from taxes and other revenues was \$13.4 million more than expenditures for governmental activities. This \$13.4 million increase in net assets is more than the \$11.1 million increase in net assets for the year ended June 30, 2004.
- Total fund balances for governmental funds increased by \$49.3 million during the year ended June 30, 2005. For the year ended June 30, 2004, total fund balances for governmental funds decreased by \$1.1 million. The changes for both years were primarily a result of receiving and using resources restricted for capital projects.
- The District has designated \$5,150,000 of the *general fund* balances as an undistributed reserve. The undistributed reserve is allowed by state law and can be up to 5% of *general fund* budgeted expenditures. The reserve is set aside for contingencies or possible reductions in state funding and not to be used in negotiation or settlement of contract salaries. The maintenance of a sufficient reserve is a key credit consideration in the District's bond rating.
- During 2004, District patrons voted to authorize the District to issue \$140.0 million in bonds for the construction of elementary schools, a junior high, two high schools, the conversion of middle schools to elementary or junior high schools, and the purchase of property. During 2005, \$67.0 million of the bonds were issued and construction began on three elementary schools and one junior high school.
- During 2004, District patrons approved an increase in the voted leeway tax levy to fund the operating and equipping costs of new schools. The District received funds during 2005 as a result of the increase in the levy. However, since the new schools are in the construction or planning phases and are not completed, these funds have been reserved to be used when the schools are completed.

NEBO SCHOOL DISTRICT
Management's Discussion and Analysis
June 30, 2005

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the assets and liabilities of the District, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the net assets of the District changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements can be found on pages 21 and 22 of this report.

Fund Financial Statements

A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing

NEBO SCHOOL DISTRICT
Management's Discussion and Analysis
June 30, 2005

decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the *general fund*, *capital projects fund*, and *debt service fund*, all of which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its *general fund*. A budgetary comparison statement has been provided for the *general fund* to demonstrate compliance with this budget.

The basic governmental fund statements can be found on pages 23 to 27 of this report.

Proprietary funds are used to account for a government's ongoing activities that are similar to those often found in the private sector. The District maintains one proprietary fund type, the *self-insurance internal service fund*. Internal service funds are proprietary fund types that are used to accumulate and allocate costs internally among the governmental entity's various functions.

The internal service fund has been included in the *governmental activities* in the government-wide financial statements. The fund is also shown in the proprietary fund financial statements. The basic proprietary fund financial statements can be found on pages 28 to 30 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are *not* reflected in the government-wide financial statement because the District cannot use these funds to finance its operations.

The District uses a fiduciary fund to account for resources held for student groups, individual schools, and other groups. The basic fiduciary fund financial statement can be found on page 31 of this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 32 to 47 of this report.

Other Information

The combining and individual fund statements and schedules referred to earlier are presented immediately following the notes to the financial statements on pages 48 to 60 of this report. Additional

NEBO SCHOOL DISTRICT
Management's Discussion and Analysis
June 30, 2005

financial and non-financial data are presented in the *statistical section* of the report which starts on page 61.

Government-Wide Financial Analysis

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Below is information which summarizes the District's net assets and the changes from 2004 to 2005. All amounts are in millions of dollars:

	Governmental Activities		Total Change 2004-2005
	2005	2004	
Current and other assets	\$ 115.5	\$ 58.8	\$ 56.7
Capital assets	187.0	164.7	22.3
Total assets	302.5	223.5	79.0
Current and other liabilities	48.0	40.8	7.2
Noncurrent liabilities	156.6	98.3	58.3
Total liabilities	204.6	139.1	65.5
Net assets:			
Invested in capital assets, net of related debt	81.1	71.1	10.0
Restricted	13.0	10.2	2.8
Unrestricted	3.7	3.1	0.6
Total net assets	\$ 97.8	\$ 84.4	\$ 13.4

The largest portion of the District's net assets (83%) reflects its investment in capital assets less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide services to students and consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the District's net assets (13%) represent resources that are subject to external restrictions on how they may be used. The remainder of net assets (4%) may be used to meet the District's ongoing obligations to students, employees, and creditors.

As of June 30, 2005, the District is able to report positive balances in all three categories of net assets, both for the District as a whole and for its separate government funds. The same situation held true for the prior fiscal period.

NEBO SCHOOL DISTRICT
Management's Discussion and Analysis
June 30, 2005

Changes in Net Assets

Net assets of the District's governmental activities increased 16.0% to \$97.8 million. The increase in the District's net assets for the year ended June 30, 2005 is primarily due to the following:

- The District's total program and general revenues increased by \$11.4 million (8.3%) to \$149.7 million during the current year. Of the total, state and federal aid make up 71.4% while property taxes make up 25.9%. In the prior fiscal year the percentages of total revenues were 73.0% for state and federal aid and 24.6% for property taxes.
- The total cost of all programs and services increased by \$9.1 million (7.1%) to \$136.3 million during the current year. Instructional services account for 63.3% of the total while support services make up 28.1%. In the prior fiscal year the percentage of costs attributable to instructional services was 62.6% while support services made up 28.7%.

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NEBO SCHOOL DISTRICT
Management's Discussion and Analysis
June 30, 2005

Below is information which summarizes the District's net assets changes from 2004 to 2005. All amounts are in millions of dollars:

	<u>Governmental Activities</u>		<u>Total Change 2004-2005</u>
	<u>2005</u>	<u>2004</u>	
Revenues:			
Program revenues:			
Charges for services	\$ 2.7	\$ 2.8	\$ (0.1)
Operating grants and contributions	40.5	39.4	1.1
General revenues:			
Property taxes	38.9	34.0	4.9
Federal and state aid not restricted to specific purpose	63.7	58.8	4.9
Earnings on investments	1.2	0.4	0.8
Miscellaneous	2.7	2.9	(0.2)
Total revenues	<u>149.7</u>	<u>138.3</u>	<u>11.4</u>
Expenses:			
Instructional services	86.3	79.6	6.7
Supporting services:			
Students	5.8	6.0	(0.2)
Instructional staff	4.3	4.1	0.2
District administration	0.4	0.6	(0.2)
School administration	7.2	6.8	0.4
Business	2.9	2.7	0.2
Operation and maintenance of facilities	12.2	11.4	0.8
Transportation	5.2	4.7	0.5
Central	0.3	0.2	0.1
School lunch services	6.7	6.5	0.2
Interest on long-term liabilities	5.0	4.6	0.4
Total expenses	<u>136.3</u>	<u>127.2</u>	<u>9.1</u>
Change in net assets	13.4	11.1	2.3
Net assets - beginning	<u>84.4</u>	<u>73.3</u>	<u>11.1</u>
Net assets - ending	<u>\$ 97.8</u>	<u>\$ 84.4</u>	<u>\$ 13.4</u>

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing

NEBO SCHOOL DISTRICT
Management's Discussion and Analysis
June 30, 2005

requirements. As the District completed the year, its governmental funds reported a combined fund balance of \$64.4 million, \$49.3 million more than the previous year.

Governmental funds report the differences between their assets and liabilities as fund balance, which is divided into reserved and unreserved portions. Reservations indicate the portion of the District's fund balances that are not available for appropriation. The unreserved fund balance is, in turn, subdivided between designated and undesignated portions. Designations reflect the District's self-imposed limitation on the use of otherwise available expendable financial resources in governmental funds. Undesignated balances in the *general fund* are required by state law to be appropriated in the following year's budget. Fund balances of *debt services fund*, *capital projects fund*, and other governmental funds are restricted by state law to be spent for the purpose of the fund and are not available for spending at the District's discretion. Of the \$8.4 million fund balance in the *general fund*, \$0.7 million is reserved for inventories and prepaid expenditures, \$2.4 million is reserved for future equipping and operating costs of new schools currently under construction or in the planning phase, and \$5.2 million is classified as an undistributed reserve as allowed by law. This undistributed reserve is set aside for contingencies or possible reductions in state funding and not to be used in negotiation or settlement of contract salaries. The remainder of the general fund balance is reported as unreserved and undesignated.

General Fund Budgetary Highlights

During the year, the Board revised the District's budget. Budget amendments were to reflect changes in programs and related funding. The difference between original budget and the final amended budget was an increase of \$2.6 million in total *general fund* expenditures. The most significant differences are summarized as follows:

- Instructional services expenditures budget was increased by \$1.3 million to meet needs not fully anticipated when the original budget was adopted.
- Operation and maintenance of facilities expenditures budget was increased by \$0.5 million to support various facility maintenance related needs.

The remaining differences between original budget and final amended budget are due to on-going adjustments at the program and fund levels as new information is received by the District.

Significant differences exist between the final amended budget and the actual amount in both total revenues and total expenditures. These negative variances in total revenues and the positive variances in total expenditures are largely a result of federal and state program revenues and related expenditures that do not have a direct impact on the undesignated fund balance. Budgets generally assume the expenditure of all available resources. Therefore, when the budget is prepared, it is assumed these funds will not have a carryover of revenue to a subsequent year. Program revenue received but not spent is restricted and deferred to the subsequent fiscal year. As a result, overall fund revenue variances will be negative, and overall fund expenditure variances will be positive.

NEBO SCHOOL DISTRICT
Management's Discussion and Analysis
June 30, 2005

Capital Assets

The *capital projects fund* is used to account for the costs incurred in acquiring and improving sites, constructing and remodeling facilities, and procuring equipment necessary for providing educational programs for all students within the District.

Below is a summary of the capital assets at June 30, 2005 and 2004. All amounts are net of accumulated depreciation and in millions of dollars:

	<u>Governmental Activities</u>		<u>Total Change 2004-2005</u>
	<u>2005</u>	<u>2004</u>	
Land	\$ 18.6	\$ 17.7	\$ 0.9
Construction in progress	25.2	3.5	21.7
Buildings and improvements	136.5	137.4	(0.9)
Furniture and equipment	6.7	6.1	0.6
Total capital assets, net of accumulated depreciation	<u>\$ 187.0</u>	<u>\$ 164.7</u>	<u>\$ 22.3</u>

Additional information on the District's capital assets can be found in Note 4 to the basic financial statements.

Debt Administration

The general obligation bonded debt of the District is limited by state law to 4% of the fair market value of the total taxable property in the District. The legal debt limit at June 30, 2005 was \$238.1 million while the net general obligation debt at that date was \$151.1 million, resulting in a legal debt margin of \$87.0 million.

Below is summary information concerning the District's outstanding debt at June 30, 2005 and 2004. All amounts are in millions of dollars:

	<u>Governmental Activities</u>		<u>Total Change 2004-2005</u>
	<u>2005</u>	<u>2004</u>	
General obligation bonds, net	<u>\$ 151.1</u>	<u>\$ 93.6</u>	<u>\$ 57.5</u>

Additional information on the District's long-term debt can be found in Note 7 to the basic financial statements.

NEBO SCHOOL DISTRICT
Management's Discussion and Analysis
June 30, 2005

Changes in Student Enrollment

Estimated new growth for the next five years is expected to add 3,050 students to the District's current enrollment. This is an overall increase of 12.3%. Below is a summary of actual enrollment data for the most recent fifteen years based on October 1st enrollment counts along with District estimates for the next five years:

<u>School Year</u>	<u>Enrollment</u>	<u>Annual Increase</u>	<u>Annual Increase Percentage</u>
Actual:			
1991-1992	16,662	83	0.50%
1992-1993	17,159	497	2.98%
1993-1994	17,871	712	4.15%
1994-1995	18,330	459	2.57%
1995-1996	18,692	362	1.97%
1996-1997	19,243	551	2.95%
1997-1998	19,560	317	1.65%
1998-1999	19,959	399	2.04%
1999-2000	20,519	560	2.81%
2000-2001	21,066	547	2.67%
2001-2002	22,070	1,004	4.77%
2002-2003	23,078	1,008	4.57%
2003-2004	23,900	822	3.56%
2004-2005	24,887	987	4.13%
2005-2006	24,764	(123)	-0.49%
Estimates:			
2006-2007	25,450	686	2.77%
2007-2008	25,752	302	1.19%
2008-2009	26,389	637	2.47%
2009-2010	27,034	645	2.44%
2010-2011	27,814	780	2.89%

Requests for Information

This financial report is designed to provide a general overview of Nebo School District's finances and to demonstrate the District's accountability for the funds it receives. If you have any questions concerning this report or need additional financial information, please contact the Office of the Business Administrator, Nebo School District, 350 South Main, Spanish Fork, Utah 84660.

BASIC FINANCIAL STATEMENTS

NEBO SCHOOL DISTRICT
Statement of Net Assets
June 30, 2005

	Governmental Activities
Assets:	
Cash and investments	\$ 72,446,567
Receivables:	
Property taxes	33,562,394
Other local	868,516
State	260,762
Federal	4,211,530
Inventories	1,262,857
Prepaid expenses	142,272
Insurance deposits	1,500,000
Bond issuance costs, net of accumulated amortization	1,189,035
Capital assets:	
Land, construction in progress, and water stock	43,819,886
Other capital assets, net of accumulated depreciation	143,213,592
Total assets	<u>302,477,411</u>
Liabilities:	
Accounts payable	7,400,229
Accrued interest payable	33,280
Accrued salaries payable	5,604,566
Deferred revenue:	
Property taxes	31,184,907
Other local	411,342
State	3,265,579
Federal	89,664
Noncurrent liabilities:	
Due within one year	10,929,761
Due in more than one year	145,721,899
Total liabilities	<u>204,641,227</u>
Net Assets:	
Invested in capital assets, net of related debt	81,122,588
Restricted for:	
Debt service	3,648,013
Capital projects	7,421,704
Food services	1,161,584
Non K-12 programs	460,963
Nebo Education Foundation	365,892
Unrestricted	3,655,440
Total net assets	<u>\$ 97,836,184</u>

The notes to the financial statements are an integral part of this statement.

NEBO SCHOOL DISTRICT
Statement of Activities
Year Ended June 30, 2005

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Total Governmental Activities
Governmental activities or functions:				
Instructional services	\$ 86,314,131	\$ 215,017	\$ 28,598,327	\$ (57,500,787)
Supporting services:				
Students	5,845,196	-	2,737,851	(3,107,345)
Instructional staff	4,260,966	-	1,717,754	(2,543,212)
District administration	413,783	-	385,696	(28,087)
School administration	7,231,834	-	81,598	(7,150,236)
Business	2,849,991	-	-	(2,849,991)
Operation and maintenance of facilities	12,118,664	-	27,308	(12,091,356)
Transportation	5,229,201	-	2,781,744	(2,447,457)
Central	303,904	-	-	(303,904)
Food services	6,654,483	2,522,419	4,102,539	(29,525)
Interest on long-term liabilities	4,992,898	-	-	(4,992,898)
Total school district	<u>\$ 136,215,051</u>	<u>\$ 2,737,436</u>	<u>\$ 40,432,817</u>	<u>(93,044,798)</u>
General revenues:				
Property taxes levied for:				
Basic state supported program for regular K-12 instruction (set by state legislature)				7,557,514
Voted leeway for regular K-12 instruction				5,038,342
Board leeway for class size reduction				1,679,447
Board leeway for K-3 reading program				508,033
Special transportation for required and hazardous bus routes				327,492
Tort liability claims and insurance				222,527
Community recreation				764,149
Debt service of general obligation bonds				15,916,963
Capital outlay				2,351,226
Ten percent of basic program for construction, textbooks and supplies				4,458,933
Federal and state aid not restricted to specific purposes				63,766,956
Earnings on investments				1,199,903
Miscellaneous				2,730,723
Total general revenues				<u>106,522,209</u>
Change in net assets				13,477,411
Net assets - beginning				<u>84,358,773</u>
Net assets - ending				<u>\$ 97,836,184</u>

The notes to the financial statements are an integral part of this statement.

NEBO SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2005

	Major Funds			Other	Total
	General	Debt Service	Capital Projects	Governmental Funds	Governmental Funds
Assets:					
Cash and investments	\$ 11,679,161	\$ 1,526,498	\$ 57,708,773	\$ 1,252,103	\$ 72,166,535
Receivables:					
Property taxes	13,031,296	13,888,396	5,979,030	663,672	33,562,394
Other local	635,960	-	98,948	133,608	868,516
State	103,650	-	-	157,112	260,762
Federal	4,107,270	-	-	104,260	4,211,530
Inventories	555,959	-	238,655	468,243	1,262,857
Prepaid expenditures	135,170	-	5,047	2,055	142,272
Insurance deposits	1,500,000	-	-	-	1,500,000
Total assets	\$ 31,748,466	\$ 15,414,894	\$ 64,030,453	\$ 2,781,053	\$ 113,974,866
Liabilities and fund balances:					
Liabilities:					
Accounts payable	\$ 1,379,476	\$ 8,100	\$ 5,703,594	\$ 29,027	\$ 7,120,197
Accrued salaries	5,604,566	-	-	-	5,604,566
Deferred revenue:					
Property taxes	12,848,799	13,701,307	5,899,223	654,670	33,103,999
Other local	350,228	-	-	61,114	411,342
State	3,061,621	-	141,823	62,135	3,265,579
Federal	66,225	-	-	23,439	89,664
Total liabilities	23,310,915	13,709,407	11,744,640	830,385	49,595,347
Fund Balances:					
Reserved for:					
Inventories	555,959	-	238,655	470,298	1,264,912
Prepaid expenditures	135,170	-	5,047	-	140,217
Construction commitments	-	-	28,484,358	-	28,484,358
Other commitments	2,408,777	-	-	-	2,408,777
Unreserved:					
Designated for:					
Undistributed reserve	5,150,000	-	-	-	5,150,000
New school land and buildings	-	-	23,557,753	-	23,557,753
Schools, reported in special revenue funds	-	-	-	321,499	321,499
Undesignated, reported in:					
General fund	187,645	-	-	-	187,645
Debt service	-	1,705,487	-	-	1,705,487
Special revenue funds	-	-	-	1,158,871	1,158,871
Total fund balances	8,437,551	1,705,487	52,285,813	1,950,668	64,379,519
Total liabilities and fund balances	\$ 31,748,466	\$ 15,414,894	\$ 64,030,453	\$ 2,781,053	\$ 113,974,866

The notes to the financial statements are an integral part of this statement.

NEBO SCHOOL DISTRICT
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2005

Total fund balances for governmental funds	\$ 64,379,519
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Total net assets reported for governmental activities in the statement of net assets is different because of the following reconciling items:

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of the following:

Land	\$ 18,617,985	
Construction in progress	25,180,940	
Water stock	20,961	
Buildings and improvements, net of \$62,713,448 accumulated depreciation	136,517,492	
Furniture and equipment, net of \$7,189,164 accumulated depreciation	<u>6,696,100</u>	187,033,478

Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds.	1,919,092
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Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(33,280)
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Bond issuance costs are reported as expenditures in the governmental funds. The cost is \$2,251,032 and accumulated amortization is \$1,061,997.	1,189,035
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Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets. Balances at year-end are as follows:

Bonds payable	(150,040,000)	
Unamortized premiums	(2,613,510)	
Deferred amounts on refunding	1,541,888	
Accrued vacation	(488,207)	
Early retirement payable	<u>(5,051,831)</u>	(156,651,660)

Total net assets of governmental activities	\$ <u>97,836,184</u>
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The notes to the financial statements are an integral part of this statement.

NEBO SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2005

	Major Funds			Other	Total
	General	Debt Service	Capital Projects	Governmental Funds	Governmental Funds
Revenues:					
Property taxes	\$ 15,191,002	\$ 15,769,201	\$ 6,746,935	\$ 757,054	\$ 38,464,192
Earnings on investments	667,973	-	520,753	6,666	1,195,392
Food sales	-	-	-	2,522,419	2,522,419
Other local sources	2,363,827	-	257,255	540,571	3,161,653
State sources	84,290,428	-	4,425,007	2,166,196	90,881,631
Federal sources	9,849,950	-	-	3,468,192	13,318,142
Total revenues	112,363,180	15,769,201	11,949,950	9,461,098	149,543,429
Expenditures:					
Current:					
Instructional services	75,836,401	-	-	2,541,980	78,378,381
Supporting services:					
Students	5,697,335	-	-	147,861	5,845,196
Instructional staff	4,260,966	-	-	-	4,260,966
District administration	389,144	-	-	-	389,144
School administration	6,970,927	-	-	-	6,970,927
Business	2,825,352	-	-	-	2,825,352
Operation and maintenance of facilities	11,259,078	-	-	-	11,259,078
Transportation	4,588,865	-	-	-	4,588,865
Central	224,950	-	-	-	224,950
Food services	-	-	-	6,514,279	6,514,279
Capital outlay	-	-	31,676,002	-	31,676,002
Debt service:					
Principal retirement	-	10,850,000	-	-	10,850,000
Bond issuance costs	-	158,145	458,097	-	616,242
Interest and fiscal charges	-	5,136,215	-	-	5,136,215
Total expenditures	112,053,018	16,144,360	32,134,099	9,204,120	169,535,597
Excess (deficiency) of revenues over (under) expenditures	310,162	(375,159)	(20,184,149)	256,978	(19,992,168)
Other financing sources (uses):					
Transfers	1,456,000	-	(1,450,000)	(6,000)	-
Bond proceeds	-	-	67,000,000	-	67,000,000
Refunding bonds issued	-	18,500,000	-	-	18,500,000
Bond premiums	-	974,943	1,395,496	-	2,370,439
Payments to refunded bond escrow agent	-	(19,257,962)	-	-	(19,257,962)
Sale of capital assets	-	-	662,369	-	662,369
Total other financing sources (uses)	1,456,000	216,981	67,607,865	(6,000)	69,274,846
Net change in fund balances	1,766,162	(158,178)	47,423,716	250,978	49,282,678
Fund balances - beginning	6,671,389	1,863,665	4,862,097	1,699,690	15,096,841
Fund balances - ending	\$ 8,437,551	\$ 1,705,487	\$ 52,285,813	\$ 1,950,668	\$ 64,379,519

The notes to the financial statements are an integral part of this statement.

NEBO SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2005

Net change in fund balances for governmental funds	\$ 49,282,678
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Amounts reported for governmental activities in the statement of activities are different because of the following reconciling items:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 for land, furniture and equipment, and \$100,000 for buildings and improvements are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital outlays	\$ 30,374,205	
Gain on disposal of capital assets	56,936	
Proceeds from sales of capital assets	(662,369)	
Depreciation expense	<u>(7,442,120)</u>	22,326,652

The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

General obligation bond proceeds	(67,000,000)	
Bond premium	(1,395,496)	
Bond issuance costs	458,097	
Refunding bonds issued	(18,500,000)	
Bond premium on refunding	(974,943)	
Bond issuance costs on refunding	158,145	
Payment to refunded bond escrow agent	19,257,962	
Repayment of bond principal	10,850,000	
Interest expense on general obligation bonds	15,905	
Amortization of bond issuance costs	(164,670)	
Amortization of deferred amounts on bond refundings	(45,606)	
Amortization of bond premium	<u>173,018</u>	(57,167,588)

Some of the District's property taxes will be collected after year end but are not available soon enough to pay for the current period's expenditures. Therefore, those amounts are reported as deferred revenue in the funds. The deferred revenue for these property taxes increased this year.	360,435
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In the statement of activities, compensated absences (vacations) and special termination benefits (early retirement) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). During this year, accrued vacation increased by \$23,741 and early retirement payable increased by \$822,494.	(846,235)
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An internal service fund is used by the District to charge the costs of insurance to individual funds. The change in net assets of the internal service fund is reported with governmental activities.	(478,531)
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Change in net assets of governmental activities	<u><u>\$ 13,477,411</u></u>
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The notes to the financial statements are an integral part of this statement.

NEBO SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Property taxes	\$ 14,314,078	\$ 15,231,646	\$ 15,191,002	\$ (40,644)
Earnings on investments	400,000	500,000	667,973	167,973
Other local sources	2,956,507	2,192,196	2,363,827	171,631
State aid	86,006,056	87,049,748	84,290,428	(2,759,320)
Federal aid	10,012,985	10,467,291	9,849,950	(617,341)
Total revenues	113,689,626	115,440,881	112,363,180	(3,077,701)
Expenditures:				
Instructional services	79,664,846	80,935,900	75,836,401	5,099,499
Supporting services:				
Students	5,467,130	5,995,856	5,697,335	298,521
Instructional staff	4,219,991	4,337,989	4,260,966	77,023
District administration	465,219	505,477	389,144	116,333
School administration	7,007,072	6,839,269	6,970,927	(131,658)
Business	2,796,564	2,854,930	2,825,352	29,578
Operation and maintenance of facilities	10,322,557	10,784,079	11,259,078	(474,999)
Transportation	3,579,485	3,878,391	4,588,865	(710,474)
Central	166,762	166,764	224,950	(58,186)
Total expenditures	113,689,626	116,298,655	112,053,018	4,245,637
Excess (deficiency) of revenues over (under) expenditures	-	(857,774)	310,162	1,167,936
Other financing sources (uses):				
Transfers in	-	1,056,000	1,456,000	400,000
Total other financing sources (uses)	-	1,056,000	1,456,000	400,000
Net change in fund balances	-	198,226	1,766,162	1,567,936
Fund balances - beginning	6,671,389	6,671,389	6,671,389	-
Fund balances - ending	\$ 6,671,389	\$ 6,869,615	\$ 8,437,551	\$ 1,567,936

The notes to the financial statements are an integral part of this statement.

NEBO SCHOOL DISTRICT
Statement of Fund Net Assets
Proprietary Fund
June 30, 2005
With Comparative Totals for 2004

	<u>2005</u>	<u>2004</u>
	<u>Governmental Activities - Internal Service Fund</u>	<u>Governmental Activities - Internal Service Fund</u>
Assets:		
Current assets:		
Cash and investments	\$ 280,032	\$ 457,492
Accounts receivable	-	26,597
Total assets	<u>280,032</u>	<u>484,089</u>
Liabilities:		
Current liabilities:		
Accounts payable	<u>280,032</u>	<u>5,558</u>
Total liabilities	<u>280,032</u>	<u>5,558</u>
Net assets:		
Unrestricted	<u>-</u>	<u>478,531</u>
Total net assets	<u><u>\$ -</u></u>	<u><u>\$ 478,531</u></u>

The notes to the financial statements are an integral part of this statement.

NEBO SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
Year Ended June 30, 2005
With Comparative Totals for 2004

	<u>2005</u>	<u>2004</u>
	<u>Governmental Activities - Internal Service Fund</u>	<u>Governmental Activities - Internal Service Fund</u>
Operating revenues:		
Charges for services	\$ 49,391	\$ 150,598
Operating expenses:		
Claims and administrative services	532,433	936,076
Total operating expenses	532,433	936,076
Operating income (loss)	(483,042)	(785,478)
Nonoperating income:		
Earnings on investments	4,511	2,848
Total nonoperating income	4,511	2,848
Change in net assets	(478,531)	(782,630)
Total net assets - beginning	478,531	1,261,161
Total net assets - ending	<u>\$ -</u>	<u>\$ 478,531</u>

The notes to the financial statements are an integral part of these statements.

NEBO SCHOOL DISTRICT
Statement of Fund Cash Flows
Proprietary Fund
Year Ended June 30, 2005
With Comparative Totals for 2004

	<u>2005</u>	<u>2004</u>
	<u>Governmental Activities - Internal Service Fund</u>	<u>Governmental Activities - Internal Service Fund</u>
Cash flows from operating activities:		
Receipts from interfund services provided	\$ 75,988	\$ 1,870,353
Payment for medical fees and insurance claims	(257,959)	(3,042,200)
Net cash used by operating activities	(181,971)	(1,171,847)
Cash flows from noncapital financing activities:	-	-
Cash flows from capital and related financing activities:	-	-
Cash flows from investing activities:		
Interest received	4,511	2,848
Net decrease in cash and cash equivalents	(177,460)	(1,168,999)
Cash and cash equivalents - beginning	457,492	1,626,491
Cash and cash equivalents - ending	<u>\$ 280,032</u>	<u>\$ 457,492</u>
Displayed on statements of fund net assets as:		
Cash and investments	<u>\$ 280,032</u>	<u>\$ 457,492</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating loss	\$ (483,042)	\$ (785,478)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Decrease in accounts receivable	26,597	1,719,754
Increase (decrease) in accounts payable	274,474	(2,106,123)
Total adjustments	301,071	(386,369)
Net cash used by operating activities	<u>\$ (181,971)</u>	<u>\$ (1,171,847)</u>
Noncash investing, capital, and financing activities:	none	none

The notes to the financial statements are an integral part of this statement.

NEBO SCHOOL DISTRICT
Statement of Fiduciary Net Assets
Agency Fund
June 30, 2005

	<u>School Investments Agency Fund</u>
Assets:	
Cash and investments	<u>\$ 3,479,294</u>
Liabilities :	
Due to student groups	<u>\$ 3,479,294</u>

The notes to the financial statements are an integral part of this statement.

NEBO SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

Reporting Entity – The Board of Education, comprised of seven elected individuals, is the primary governing authority for the District. As required by GAAP, these financial statements present the District and its blended component unit, Nebo Education Foundation (Foundation), for which the District is considered to be financially accountable. A blended component unit, although a legally separate entity, is, in substance, part of the District's operations. The Foundation is a nonprofit organization established under Internal Revenue Service regulations as a conduit for tax-deductible donations to the District. The Foundation exclusively services the District and is presented as a special revenue fund of the District. The District is not a component unit of any other primary government.

Government-Wide Financial Statements – The *government-wide financial statements* (the statement of net assets and the statement of activities) display information about the District and its blended component unit. These statements include the financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a function and, therefore, are clearly identifiable to a particular function. Depreciation expenses for capital assets that can specifically be identified with a function are included in its direct expenses. Depreciation expense for "shared" capital assets (for example, a school building is used primarily for instructional services but is also used for school administration and food services) are proportionally included in the direct expenses of the appropriate functions. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Interest on general long-term liabilities is considered an indirect expense and is reported in the statement of activities as a separate line.

Program revenues include 1) fees and charges paid by students and other recipients of goods or services, offered by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including property taxes, are presented as general revenues.

Fund Financial Statements – The *fund financial statements* provide information about the District's funds, including its fiduciary funds and blended component unit. Separate statements for each fund category (governmental, proprietary, and fiduciary) are presented. The emphasis of

NEBO SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2005

fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. Operating expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations, including administrative expenses.

The District reports the following major governmental funds:

- General Fund – The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.
- Debt Service Fund – The *debt service fund* accounts for resources accumulated and payments made for principal and interest on general obligation school building bonds.
- Capital Projects Fund – The *capital projects fund* accounts for resources accumulated and payments made for the acquisition and improvement of sites, construction and remodel of facilities, and procurement of equipment necessary for providing educational programs for all students within the District.

Additionally, the District reports the following fund types:

- Internal Service Fund – The *internal service fund* is a proprietary fund and accounts for the medical health insurance for the District on a cost reimbursement basis.
- School Investments Agency Fund – The *school investments agency fund* is a fiduciary fund and accounts for assets held on behalf of student groups, individual schools, and others.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation – The *government-wide* and *proprietary fund financial statements* are reported using the economic resources measurement focus. The *government-wide*, *proprietary*, and *agency fund financial statements* are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District receives value without directly giving equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when the District receives cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures are incurred and all other grant requirements are met. Grants received in advance are recorded as deferred revenue until earned. Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, early retirement benefits, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to restricted resources and then to unrestricted resources as needed.

Budgetary Data – Budgets are presented on the modified accrual basis of accounting for all governmental funds except the *Nebo Education Foundation fund*. Budgets are not adopted on a District level for the *Nebo Education Foundation fund*, *internal service fund* or *school investments agency fund*. All annual appropriations lapse at fiscal year end with the exception of those indicated as a fund balance reserve. The following procedures are used in establishing the budgetary data reflected in the financial statements.

- During June of each year, the District Superintendent submits to the Board a proposed operating budget for the next fiscal year commencing July 1st. This budget includes proposed expenditures and the means of financing them. Included also is a final budget for the current year ending June 30th.
- Copies of the proposed budget are made available for public inspection and review by the District's patrons before the public hearing after which the Board adopts the proposed budget.
- If the District does not exceed the certified tax rate, a public hearing is held prior to June 22nd at which time the budget is legally adopted by resolution of the Board after obtaining taxpayer input. If the District exceeds the certified tax rate, the budget is adopted in August when data is available to set the tax rates.
- Once adopted, the budget can be amended by subsequent Board action. The Board, upon recommendation of the Superintendent can approve reductions in appropriations, but

NEBO SCHOOL DISTRICT
Notes to Financial Statements
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increases in appropriations by fund require a public hearing prior to amending the budget. In accordance with Utah State Law, interim adjustments may be made by administrative transfer of money from one appropriation to another within any given fund.

- Certain interim adjustments in estimated revenue and expenditures during the year ended June 30, 2005, have been included in the final budget approved by the Board, as presented in the financial statements.
- Expenditures may not legally exceed budgeted appropriations at the fund level.

Encumbrance accounting is employed in the governmental funds. Encumbrances (e.g., purchase orders and contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

Negative variances in total revenues and the positive variances in total expenditures are largely a result of federal and state program revenues and related expenditures that do not have a direct impact on the undesignated fund balance. Budgets generally assume the expenditure of all available resources. Therefore, when the budget is prepared, it is assumed these funds will not have a carryover of revenue to a subsequent year. Program revenue received but not spent is restricted and deferred to the subsequent fiscal year. As a result, overall fund revenue variances will be negative, and overall fund expenditure variances will be positive.

Deposits and Investments – The cash balances of substantially all funds are pooled and invested by the District for the purpose of increasing earnings through investment activities and providing efficient management of temporary investments. The pool's investments are reported at fair value at year-end. Changes in the fair value of investments are recorded as investment earnings in the *general fund*.

Cash and Cash Equivalents – The District considers cash and cash equivalents to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, including investments in the Public Treasurers' Investment Pool (PTIF).

Inventories – Inventories are accounted for under the consumption method, wherein inventories are recorded as assets when acquired and expenditures are recorded when the inventories are transferred to the schools for consumption. Inventories recorded in the governmental funds are stated at cost or, if donated, at fair value when received, using a weighted moving average method. Inventories reported in the governmental funds are equally offset by a reservation of fund balance, indicating that they do not constitute "available spendable resources" even though they are a component of total assets.

NEBO SCHOOL DISTRICT
Notes to Financial Statements
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Capital Assets – Capital assets, which include land, water stock, buildings and improvements, and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 for land, water stock, and furniture and equipment and \$100,000 for buildings and improvements with an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building Improvements	20
Furniture	20
Portable Classrooms	20
Machinery and Tools	15
Buses	15
Laboratory Equipment	10
Musical Instruments	10
Licensed Vehicles	10
Computers	5

Compensated Absences – Under terms of association agreements, twelve-month or full-year employees earn vacation leave in amounts varying with tenure and classification. In the event of retirement, an employee is reimbursed for accumulated vacation days to a maximum of 10 days. Sick leave is given to employees based on tenure and classification and no reimbursement or accrual is made for unused sick leave.

All vacation pay plus related payroll taxes are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements, and the payment of the liability is reported in the fund in which the employee's salary is reported.

Long-Term Obligations – In the government-wide financial statements and internal service fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond

NEBO SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2005

premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a restricted purpose. Designations of fund balance represent tentative plans for future use of financial resources that are subject to change.

Comparative Data – Comparative data for the prior year has been presented in certain sections of the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with current year's presentation.

2. DEPOSITS AND INVESTMENTS

The District follows the requirements of the Utah Money Management Act, Section 51, Chapter 7 of the Utah Code, (Act) and related rules of the Money Management Council (Council) in handling its depository and investing transactions. District funds are deposited in qualified depositories as defined by the Act. The Act authorizes the District to invest in the Utah Public Treasurers' Investment Fund (PTIF), certificates of deposit, U.S. Treasury obligations, U.S. agency issues, high-grade commercial paper, banker's acceptances, repurchasing agreements, corporate bonds, restricted mutual funds, and obligations of governmental entities within the State of Utah.

The PTIF is authorized and makes investments in accordance with the Act and the Council provides regulatory oversight for the PTIF. Participant accounts with the PTIF are not insured or otherwise guaranteed by the State of Utah. Participants in the PTIF share proportionally in the income, costs, gains, and losses from investment activities. The degree of risk of the PTIF depends upon the underlying portfolio.

The Act and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. If a qualified depository should become ineligible to hold public funds, public treasurers are notified immediately. The District considers the actions of the Council to be necessary and sufficient for adequate protection of its uninsured bank deposits.

NEBO SCHOOL DISTRICT
Notes to Financial Statements
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Deposits and investments at June 30, 2005 appear in the financial statements as summarized below:

Carrying amount of deposits	\$ 2,003,715
Carrying amount of investments	<u>73,922,146</u>
Total deposits and investments	<u>\$ 75,925,861</u>
Cash and investments, major governmental funds, balance sheet	\$ 70,914,432
Cash and investments, nonmajor governmental funds, balance sheet	1,252,103
Cash and investments, internal service fund, statement of net assets	<u>280,032</u>
Cash and investments, governmental activities, statement of net assets	72,446,567
Cash and investments, school investments agency fund	<u>3,479,294</u>
Total cash and investments	<u>\$ 75,925,861</u>

The District's carrying amount of bank deposits at June 30, 2005 is \$2,003,715 and the bank balance is \$8,192,643. Of the bank balance, \$447,390 is covered by federal depository insurance and \$7,745,253 is uninsured. No deposits are collateralized, nor are they required to be by state statute.

At June 30, 2005, the District had the following investments:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	5-10	More Than 10
Utah Public Treasurers'					
Investment Fund	\$ 73,258,434	\$ 73,258,434	\$ -	\$ -	\$ -
Government bonds	650,000	-	-	-	650,000
Certificate of deposit	13,712	-	13,712	-	-
Total investments	<u>\$ 73,922,146</u>	<u>\$ 73,258,434</u>	<u>\$ 13,712</u>	<u>\$ -</u>	<u>\$ 650,000</u>

Investments of the District are subject to various risks including interest rate risk, credit risk, concentration of credit risk, and custodial credit risk.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to interest rate risk by complying with the Act, which requires that the remaining term to maturity of investments not exceed the period of availability of the funds invested. The Act further limits the remaining term to maturity on all investments in commercial paper and bankers' acceptances to 270 days or less and fixed-income securities to 365 days or less. In addition, variable-rate securities may not have a remaining term to final maturity exceeding two years. The Foundation can invest private funds in fixed-income securities with a dollar-weighted average maturity not to exceed ten years.

NEBO SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2005

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing its exposure to credit risk is to comply with the Act and related rules. The Act and related rules limit investments in commercial paper to a first tier rating and investments in fixed-income and variable-rate securities to a rating of A or higher as rated by Moody's Investors Service, Inc. or by Standard and Poor's Corporation. The District has no investment policy that would further limit its investment choices.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy for managing this risk is to comply with the Act and related rules. The Act limits investments in commercial paper and or corporate obligations to 5% of the District's total portfolio with a single issuer. The District places no other limits on the amount it may invest in any one issuer. The Foundation can invest private funds in certain equity and fixed-income securities provided no more than 5% of all funds are invested in any one issuer and no more than 25% of all funds are invested in a particular industry. Also, for the Foundation's investment in private funds, no more than 75% may be invested in equity securities and no more than 5% in collateralized mortgage obligations.

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District's policy for managing this risk is to comply with the Act and related rules. The District places no other limit on the amount of investments to be held by counterparties. The Act requires the Foundation's public treasurer to have custody of all securities purchased or held or deposit these securities with a bank or trust company to be held in safekeeping by that custodian.

3. PROPERTY TAXES

The property tax revenue of the District is collected and distributed by the Utah County Treasurer as an agent of the District. Utah Statutes establish the process by which taxes are levied and collected. The Utah County Assessor is required to assess real property as of January 1st and complete the tax rolls by May 15th. By July 21st, the Utah County Auditor is to mail assessed value and tax notices to property owners. A taxpayer may then petition the County Board of Equalization between August 1st and August 15th for a revision of the assessed value. The County Auditor makes approved changes in assessed value by November 1st and on this same date the County Auditor is to deliver the completed assessment rolls to the County Treasurer. Tax notices are mailed with a due date of November 30th. Delinquent taxes are subject to a 2% penalty, with a \$10 minimum penalty. If delinquent taxes and penalties are not paid by January 15th of the following year, these delinquent taxes, including penalties, are subject to an interest charge at an annual rate equal to the federal discount rate plus 6%. The interest rate period is from January 1st until the date paid.

Motor vehicles are subject to an "age-based" fee that is due each time a vehicle is registered. The age-based fee is for passenger type vehicles and ranges from \$10 to \$150 based on the age of the

NEBO SCHOOL DISTRICT
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vehicle. The revenues collected in each county from motor vehicle fees is distributed by the county to each taxing entity in which the property is located in the same proportion in which revenue collected from ad valorem real property tax is distributed. The District recognizes motor vehicle fees as property tax revenue when the county collects it.

As of June 30, 2005, property taxes receivable by the District includes uncollected taxes assessed as of January 1, 2005 or earlier. It is expected that all assessed taxes (including delinquencies plus accrued interest and penalties) will be collected within a five-year period. If they are not collected after this time, the County Treasurer may force the sale of property to collect the delinquent portion.

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NEBO SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2005

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 17,749,894	\$ 1,445,893	\$ (577,802)	\$ 18,617,985
Construction in progress	3,457,370	24,917,301	(3,193,731)	25,180,940
Water stock	20,961	-	-	20,961
Total capital assets, not being depreciated	21,228,225	26,363,194	(3,771,533)	43,819,886
Capital assets, being depreciated				
Buildings and improvements	193,547,985	5,682,955	-	199,230,940
Furniture and equipment	12,963,099	1,521,787	(599,622)	13,885,264
Total capital assets, being depreciated	206,511,084	7,204,742	(599,622)	213,116,204
Accumulated depreciation:				
Buildings and improvements	(56,164,551)	(6,548,897)	-	(62,713,448)
Furniture and equipment	(6,867,932)	(893,223)	571,991	(7,189,164)
Total accumulated depreciation	(63,032,483)	(7,442,120)	571,991	(69,902,612)
Total capital assets, being depreciated, net	143,478,601	(237,378)	(27,631)	143,213,592
Governmental activity capital assets, net	\$ 164,706,826	\$ 26,125,816	\$ (3,799,164)	\$ 187,033,478

For the year ended June 30, 2005, depreciation expense was charged to functions of the District as follows:

Governmental activities:	
Instructional services	\$ 5,140,006
Supporting services:	
District administration	24,639
School administration	260,907
Business	24,639
Operation and maintenance of facilities	859,586
Transportation	640,336
Central	78,954
Food services	413,053
Total depreciation expense, governmental activities	<u>\$ 7,442,120</u>

NEBO SCHOOL DISTRICT
Notes to Financial Statements
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At June 30, 2005, the District was involved in several long-term construction and remodeling projects. The major projects are summarized as follows:

Project	Estimated Cost to Complete
East Meadows Elementary	\$ 4,933,096
Foothills Elementary	6,002,095
Mapleton Junior High	9,321,893
Nebo Bus Facility	58,254
Oakridge School	77,403
Orchard Hills Elementary	5,360,875
Payson Middle	1,305,960
Spanish Fork Middle	1,424,782
	<u>\$ 28,484,358</u>

The District has reserved \$28,484,358 of the fund balance in the *capital projects fund* for payment of these projects.

5. RETIREMENT PLANS

Defined Benefit Plans – The District contributes to the State and School Contributory Retirement System and State and School Noncontributory Retirement System (Systems), which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (URS). URS provides refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953, as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the URS and Plans under the direction of the Utah State Retirement Board (URS Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Plan members in the State and School Contributory Retirement System are required to contribute 1% of their annual covered salary (all or part may be paid by the employer for the employee) and the District is required to contribute 13.89% of their member's annual covered salary. In the State and School Noncontributory Retirement System the District is required to contribute 13.38% of the member's annual covered salary. The contribution rates are the actuarial determined rates. The contribution requirements of the Systems are authorized by statute and specified by the URS Board.

NEBO SCHOOL DISTRICT
Notes to Financial Statements
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The District's contributions to the State and School Contributory Retirement System for the years ending June 30, 2005, 2004, and 2003 were \$59,994, \$62,501 and \$66,653, respectively. The Noncontributory Retirement System contributions for June 30, 2005, 2004, and 2003 were \$9,054,458, \$7,423,531, and \$6,206,549, respectively. The contributions were equal to the required contributions for each year.

Defined Contribution Plans – The District participates in a defined contribution plan under Internal Revenue Code Section 401(k) to supplement retirement benefits accrued by participants in the Systems. Employees covered by the State and School Noncontributory Retirement System have a contribution of 1.5% of covered salaries automatically made by the District. Employees can make voluntary contributions to the 401(k) plan up to specified limits. Contributions and earnings may be withdrawn by the employee upon termination or may be used as supplemental income upon retirement. The District 401(k) contributions for the years ended June 30, 2005, 2004, and 2003 were \$1,071,800, \$986,003, and \$908,579, respectively, while the employee contributions for the years ending June 30, 2005, 2004, and 2003 were \$1,166,747, \$1,136,862, and \$1,075,677, respectively. The 401(k) plan funds are fully vested to the participants at the time of deposit. Plan assets are administered and held by URS.

The District also offers its employees a deferred compensation plan created in accordance with Internal Revenue Service Code Section 457. Employees can make voluntary contributions to the 457 plan up to specified limits. Contributions and earnings may be withdrawn by the employee upon termination or may be used as supplemental income upon retirement. Employee contributions to the 457 plan for the years ending June 30, 2005, 2004, and 2003 were \$78,649, \$58,786, and \$45,828, respectively. The assets of the plan are administered and held by URS.

Other Retirement Benefits – The District has an early retirement incentive program for all employees who have met the provisions of the Utah State Employee's Retirement Act. The program provides benefits as outlined for up to five years or until age 65, whichever comes first. The District funds this program currently and direct payments to retired employees under this plan for the years ended June 30, 2005, 2004, and 2003 were \$1,086,091, \$1,142,567, and \$869,992, respectively. Future payments for employees who have elected early retirement will be \$2,812,180. Expenditures are recognized in the governmental funds when payments are made. Expenses are recognized in the government-wide financial statements in the year of retirement.

In addition to early retirement compensation, the District provides health and life insurance coverage to qualified early retired employees as outlined for up to five years or until age 65, whichever comes first. During the year ended June 30, 2005, 77 early-retired employees were included in this program. Expenditures for the insurance benefits are accounted for on a pay-as-you-go basis and for the years ending June 30, 2005, 2004, and 2003 were \$623,976, \$556,042, and \$511,035, respectively. The District's estimate of future insurance benefit costs for employees who have elected early retirement is \$2,239,651.

NEBO SCHOOL DISTRICT
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6. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries; and natural disasters. The District has joined with other public entities in a common risk management and insurance program operated by the State of Utah Division of Risk Management. The District pays experience rated premiums to this risk pool, the Utah State Risk Management Fund, for its general insurance coverage. The pool is self sustaining through member premiums and reinsures through commercial companies for claims in excess of specified amounts for certain types of risks. The District is subject to a minimal deductible for claims of the risk pool. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past five fiscal years.

The District also participates in the Utah School Boards Risk Management Mutual Insurance Association which is a risk pool for worker's compensation coverage. Unemployment compensation is handled on a cost of benefits reimbursement basis with the State of Utah. The District has purchased commercial insurance for other risks of loss including employee health and accident insurance.

7. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2005 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Noncurrent Liabilities Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 93,175,000	\$ 85,500,000	\$ (28,635,000)	\$ 150,040,000	\$ 8,740,000
Deferred amounts on issuance premium	474,337	2,370,439	(231,266)	2,613,510	
Deferred amounts on refunding	-	(1,587,494)	45,606	(1,541,888)	
Total bonds payable, net	93,649,337	86,282,945	(28,820,660)	151,111,622	8,740,000
Accrued vacation	464,466	441,760	(418,019)	488,207	439,386
Early retirement payable	4,229,337	2,287,313	(1,464,819)	5,051,831	1,750,375
Total governmental activities long-term liabilities	<u>\$ 98,343,140</u>	<u>\$ 89,012,018</u>	<u>\$ (30,703,498)</u>	<u>\$ 156,651,660</u>	<u>\$ 10,929,761</u>

Payments on the general obligation bonds are made by the *debt service fund* from property taxes and earnings on investments. Vacation and early retirement benefits are paid by the fund in which the employee works.

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June 30, 2005

General Obligation Bonds and Advance Refundings – The District issues general obligation bonds to finance the purchase of major capital items and the acquisition or construction of major capital facilities. Outstanding general obligation bonds at June 30, 2005 are as follows:

Series	Dated	Original Amount	Rate(s)	Maturity Date	Balance
Series 1996 (1)	Jun 01, 1996	\$ 30,000,000	6.00% to 9.25%	Jun 15, 2006	\$ 480,000
Series 1998	Mar 01, 1998	30,000,000	3.75% to 5.00%	Jul 01, 2018	29,185,000
Series 1998B	Dec 23, 1998	25,920,000	3.40% to 5.00%	Jul 01, 2018	24,205,000
Series 2000 (2)	Jun 22, 2000	30,000,000	5.50% to 7.00%	Jul 01, 2010	3,810,000
Series 2001	Feb 15, 2001	8,405,000	4.00%	Apr 01, 2007	3,220,000
Series 2001A (3)	Oct 01, 2001	7,500,000	3.00%	Jul 01, 2006	625,000
Series 2002A	Aug 15, 2002	9,450,000	2.50% to 3.00%	Jul 01, 2006	4,205,000
Series 2004	Jul 20, 2004	10,000,000	3.00% to 5.00%	Jul 01, 2019	9,030,000
Series 2005A	Mar 01, 2005	15,945,000	2.55% to 5.00%	Jul 01, 2019	15,820,000
Series 2005B	Apr 05, 2005	59,555,000	2.50% to 4.50%	Jul 01, 2020	59,460,000
Total outstanding general obligation bonds payable as of June 30, 2005					<u>\$ 150,040,000</u>

- (1) Partially refunded in 1998
- (2) Partially refunded in 2002 and again in 2005
- (3) Partially refunded in 2005

The debt service requirements to maturity for the general obligation bonds are shown below:

Year Ending June 30	Principal	Interest	Total
2006	\$ 8,740,000	\$ 6,704,053	\$ 15,444,053
2007	9,180,000	6,384,608	15,564,608
2008	7,530,000	6,055,143	13,585,143
2009	7,440,000	5,727,163	13,167,163
2010	8,270,000	5,388,388	13,658,388
2011-2015	47,800,000	20,946,866	68,746,866
2016-2020	61,080,000	8,892,262	69,972,262
Totals	<u>\$ 150,040,000</u>	<u>\$ 60,098,483</u>	<u>\$ 210,138,483</u>

The District entered into two general obligation bond refunding transactions during the year ended June 30, 2005. The District issued \$18,500,000 of general obligation refunding bonds to provide resources to purchase U.S. government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$17,785,000 of general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability

NEBO SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2005

has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$1,587,494. This amount has been netted against the new debt and will be amortized over the remaining life of the refunded debt. More specific information concerning the two refunding transactions is as follows:

	Series 2005A	Series 2005B
Net present value cashflow savings	\$ 662,105	\$ 21,385
Economic gain	662,263	23,173

The general obligation indebtedness of the District is limited by Utah State Law to 4% of the fair market value of the total taxable property in the District. The legal debt limit and additional debt incurring capacity of the District, based on estimated fair market values for the calendar year 2004, is calculated as follows:

2004 Fair market value of properties within District (1)	\$ 5,952,837,871
2004 Fair market value x 4% (Debt Limit)	238,113,515
Less general obligation debt outstanding, net of deferred amounts	<u>(151,111,622)</u>
Additional debt incurring capacity	<u><u>\$ 87,001,893</u></u>

(1) Valuation includes the value associated with the fees in lieu of ad valorem taxes for motor vehicles and other tangible personal property.

8. DESIGNATED FOR UNDISTRIBUTED RESERVE

Utah State Law allows for the establishment of an undistributed reserve. The Board of Education must authorize expenditures from the undistributed reserve. This reserve is for contingencies and according to State law, the District may not use undistributed reserves in the negotiation or settlement of contract salaries for District employees. The undistributed reserve may not exceed 5% of the current fiscal year's total *general fund* budgeted revenues. Use of the reserve requires a written resolution adopted by a majority vote of the Board filed with Utah State Board of Education and Utah State Auditor.

9. LITIGATION

There are several lawsuits pending in which the District is involved. The District's counsel and insurance carriers estimate that the potential claims against the District, not covered by insurance, resulting from such litigation would not materially effect the financial statements of the District.

10. GRANTS

The District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally

NEBO SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2005

requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the District's independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable fund. Based on prior experience, District administration believes such disallowance, if any, would be immaterial.

11. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Utah law requires that actual expenditures not exceed budgeted appropriations for any fund. Actual expenditures in the *food service fund* exceeded budgeted expenditures by \$152,112 or 2.4% of budgeted expenditures and actual expenditures in the *debt service fund* exceeded budgeted expenditures by \$91,272 or 0.6% of budgeted expenditures. Revenues and fund balances in both the *food service fund* and *debt service fund* were sufficient and available to fund the excess expenditures.

12. NET ASSETS RESTATEMENT

Delinquent property taxes receivable of \$1,558,657 were recorded as deferred revenue for the year ended June 30, 2004 and should have been included in net assets. In addition, bond issuance costs of \$910,243 should have been included in net assets for the year ended June 30, 2004. Below is a summary of the restatement of the June 30, 2004 balance:

Net assets at June 30, 2004, as originally stated	\$ 81,889,873
Delinquent property taxes	1,558,657
Bond issuance costs, net	<u>910,243</u>
Net assets at June 30, 2004, as restated	<u><u>\$ 84,358,773</u></u>

13. BUDGET CONVERSION

The original and final budgets presented to the Board and subsequently adopted by the Board were presented using a simplified budget report format. As such, the District budget reports are not comparable in presentation to the budget information as shown in the financial statements. The budget information presented in the financial statements has been converted from the District budget presentation format to be in accordance with generally accepted accounting principles in the United States of America (GAAP).

**COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES**

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

General Fund -- This fund serves as the chief operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

DEBT SERVICE FUND

Debt Service Fund -- This fund is used to account for the accumulation of resources and payments of general obligation bond principal and interest. Financing is provided by property tax levies as authorized by Utah Code 53A-16-104 and 53A-17a-145.

CAPITAL PROJECTS FUND

Capital Projects Fund -- The purpose of this fund is to account for the costs incurred in acquiring and improving sites, constructing and remodeling facilities, and procuring equipment, textbooks, and supplies necessary for providing quality educational programs for all students within the District. Financing is provided by property tax levies as authorized by the Utah Code 53A-21-103 and 53A-17a-145. In addition, State funds can be obtained by qualifying under guidelines established for districts determined to be in critical need of construction building aid.

NEBO SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
Year Ended June 30, 2005
With Comparative Totals for 2004

	2005			2004
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues:				
Property taxes	\$ 15,231,646	\$ 15,191,002	\$ (40,644)	\$ 11,878,053
Earnings on investments	500,000	667,973	167,973	396,808
Other local sources	2,192,196	2,363,827	171,631	2,559,391
State sources	87,049,748	84,290,428	(2,759,320)	78,693,261
Federal sources	10,467,291	9,849,950	(617,341)	9,890,956
Total revenues	115,440,881	112,363,180	(3,077,701)	103,418,469
Expenditures:				
Instructional services	80,935,900	75,836,401	5,099,499	70,792,096
Supporting services:				
Students	5,995,856	5,697,335	298,521	5,879,485
Instructional staff	4,337,989	4,260,966	77,023	4,094,358
District administration	505,477	389,144	116,333	308,768
School administration	6,839,269	6,970,927	(131,658)	6,567,732
Business	2,854,930	2,825,352	29,578	2,654,424
Operation and maintenance of facilities	10,784,079	11,259,078	(474,999)	10,621,321
Transportation	3,878,391	4,588,865	(710,474)	4,073,620
Central	166,764	224,950	(58,186)	161,920
Total expenditures	116,298,655	112,053,018	4,245,637	105,153,724
Excess (deficiency) of revenues over (under) expenditures	(857,774)	310,162	1,167,936	(1,735,255)
Other Financing Sources (Uses):				
Transfers in	1,056,000	1,456,000	400,000	1,416,500
Total other financing sources (uses)	1,056,000	1,456,000	400,000	1,416,500
Net change in fund balances	198,226	1,766,162	1,567,936	(318,755)
Fund balance - beginning	6,671,389	6,671,389	-	6,990,144
Fund balance - ending	\$ 6,869,615	\$ 8,437,551	\$ 1,567,936	\$ 6,671,389

NEBO SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Debt Service Fund
Year Ended June 30, 2005
With Comparative Totals for 2004

	2005			2004
	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>	<u>Actual Amounts</u>
Revenues:				
Property tax	\$ 15,811,383	\$ 15,769,201	\$ (42,182)	\$ 13,474,392
Total revenues	<u>15,811,383</u>	<u>15,769,201</u>	<u>(42,182)</u>	<u>13,474,392</u>
Expenditures:				
Debt service:				
Bond principal	10,850,000	10,850,000	-	8,559,633
Bond interest	5,118,088	5,118,015	73	4,661,463
Bond issuance costs	65,000	158,145	(93,145)	-
Paying agent fees	20,000	18,200	1,800	8,599
Total expenditures	<u>16,053,088</u>	<u>16,144,360</u>	<u>(91,272)</u>	<u>13,229,695</u>
Excess (deficiency) of revenues over (under) expenditures	(241,705)	(375,159)	(133,454)	244,697
Other Financing Sources (Uses):				
Refunding bonds issued	-	18,500,000	18,500,000	-
Bond premium	-	974,943	974,943	-
Payments to refund bond escrow agent	-	(19,257,962)	(19,257,962)	-
Total other financing sources (uses)	<u>-</u>	<u>216,981</u>	<u>216,981</u>	<u>-</u>
Net change in fund balances	(241,705)	(158,178)	83,527	244,697
Fund balance - beginning	<u>1,863,665</u>	<u>1,863,665</u>	<u>-</u>	<u>1,618,968</u>
Fund balance - ending	<u>\$ 1,621,960</u>	<u>\$ 1,705,487</u>	<u>\$ 83,527</u>	<u>\$ 1,863,665</u>

NEBO SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Capital Projects Fund
Year Ended June 30, 2005
With Comparative Totals for 2004

	2005			2004
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues:				
Local sources:				
Property taxes	\$ 6,764,986	\$ 6,746,935	\$ (18,051)	\$ 6,441,653
Earnings on investments	100,000	520,753	420,753	11,424
Other local revenues	173,281	257,255	83,974	351,356
Total local sources	7,038,267	7,524,943	486,676	6,804,433
State sources:				
Capital outlay foundation	4,331,313	4,331,313	-	4,193,619
Other state sources	234,929	93,694	(141,235)	148,279
Total state sources	4,566,242	4,425,007	(141,235)	4,341,898
Total revenues	11,604,509	11,949,950	345,441	11,146,331
Expenditures:				
Capital outlay:				
Salaries	113,065	149,493	(36,428)	42,411
Benefits	38,559	50,944	(12,385)	13,570
Purchased services	-	12,285	(12,285)	536,779
Supplies	687,992	319,710	368,282	839,879
Land and improvements	6,154,095	2,339,351	3,814,744	1,902,032
Construction and remodeling	26,086,495	26,382,925	(296,430)	6,853,769
Equipment	1,454,072	1,542,214	(88,142)	1,232,042
Furniture and fixtures	20,000	71,171	(51,171)	47,302
Buses	960,000	679,979	280,021	890,739
Other vehicles	150,000	127,930	22,070	113,516
Total capital outlay	35,664,278	31,676,002	3,988,276	12,472,039
Debt service:				
Bond issuance costs	-	458,097	(458,097)	-
Interest and finance charges	-	-	-	15,906
Total debt service	-	458,097	(458,097)	15,906
Total expenditures	35,664,278	32,134,099	3,530,179	12,487,945
Excess (deficiency) of revenues over (under) expenditures	(24,059,769)	(20,184,149)	3,875,620	(1,341,614)
Other Financing Sources (Uses):				
Transfers out	(1,050,000)	(1,450,000)	(400,000)	(1,415,000)
Bond proceeds	67,000,000	67,000,000	-	-
Bond premium	-	1,395,496	1,395,496	-
Sale of capital assets	661,040	662,369	1,329	1,521,893
Total other financing sources (uses)	66,611,040	67,607,865	996,825	106,893
Net change in fund balances	42,551,271	47,423,716	4,872,445	(1,234,721)
Fund balance - beginning	4,862,097	4,862,097	-	6,096,818
Fund balance - ending	\$ 47,413,368	\$ 52,285,813	\$ 4,872,445	\$ 4,862,097

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Food Services Fund -- The purpose of this fund is to account for the food service activities of the District as required by State and Federal law. Financing is provided by local sales along with substantial subsidies from the State of Utah and the U.S. Government to help ensure that students receive low-cost, nutritionally balanced meals.

Non K-12 Programs Fund -- The purpose of this fund is to account for the costs of programs that are not part of the basic educational program of kindergarten, elementary, and secondary students. Included in the fund are Federal and State funded programs for Special-Education Preschool, Adult Education and other non K-12 programs. The costs associated with providing recreational programs within the District are also included in this fund. The recreational programs are financed by a property tax levy as authorized by Utah Code 11-2-7 and the levy does not have a maximum statutory rate. Fees charged to users of services provide additional funds as necessary.

Nebo Education Foundation -- The purpose of this fund is to account for donations received on behalf of the District. The Foundation was formed to provide a continuing organization, outside the public school system, for the benefit of the students of Nebo School District. The Foundation is an independently organized nonprofit corporation under a Utah Charter and its activities and records are operated and maintained separate from the District. The Foundation is overseen by a twenty member Board of Trustees which includes one member of the Nebo School District Board of Education, the Superintendent of the District, and two non-voting employees of the District. All Board of Trustees members are elected by the current members of the Board of Trustees. The Board of Trustees has the exclusive care, custody, and control of the Foundation's properties and exercises all of the powers granted by the laws of the State of Utah, its Articles of Incorporation, and the Bylaws.

NEBO SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005
With Comparative Totals for 2004

	Special Revenue			2005	2004
				Total	Total
	Food Services	Non K-12 Programs	Nebo Education Foundation	Nonmajor Governmental Funds	Nonmajor Governmental Funds
Assets:					
Cash and investments	\$ 555,999	\$ 330,212	\$ 365,892	\$ 1,252,103	\$ 1,264,306
Receivables:					
Property taxes	-	663,672	-	663,672	636,061
Other Local	1,194	132,414	-	133,608	25,341
State	157,112	-	-	157,112	168,511
Federal	-	104,260	-	104,260	75,293
Inventories	468,243	-	-	468,243	454,438
Prepaid expenditures	170	1,885	-	2,055	-
Total assets	<u>\$ 1,182,718</u>	<u>\$ 1,232,443</u>	<u>\$ 365,892</u>	<u>\$ 2,781,053</u>	<u>\$ 2,623,950</u>
Liabilities:					
Accounts payable	\$ 21,134	\$ 7,893	\$ -	\$ 29,027	\$ 36,641
Accrued salaries	-	-	-	-	100,018
Deferred revenue:					
Property taxes	-	654,670	-	654,670	623,970
Other local	-	61,114	-	61,114	32,007
State	-	62,135	-	62,135	116,547
Federal	-	23,439	-	23,439	15,077
Total liabilities	<u>21,134</u>	<u>809,251</u>	<u>-</u>	<u>830,385</u>	<u>924,260</u>
Fund balances:					
Reserved for inventories and prepaids	468,413	1,885	-	470,298	454,438
Unreserved:					
Designated for schools	-	-	321,499	321,499	245,657
Undesignated	693,171	421,307	44,393	1,158,871	999,595
Total fund balances	<u>1,161,584</u>	<u>423,192</u>	<u>365,892</u>	<u>1,950,668</u>	<u>1,699,690</u>
Total liabilities and fund balances	<u>\$ 1,182,718</u>	<u>\$ 1,232,443</u>	<u>\$ 365,892</u>	<u>\$ 2,781,053</u>	<u>\$ 2,623,950</u>

NEBO SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2005
With Comparative Totals for 2004

	Special Revenue			2005	2004
	Food Services	Non K-12 Programs	Nebo Education Foundation	Total Nonmajor Governmental Funds	Total Nonmajor Governmental Funds
Revenues:					
Property tax	\$ -	\$ 757,054	\$ -	\$ 757,054	\$ 723,781
Student fees	-	104,374	-	104,374	99,396
Food sales	2,522,419	-	-	2,522,419	2,415,319
Earnings on investments	-	-	6,666	6,666	4,505
Other local revenues	-	199,515	236,682	436,197	364,380
State aid	824,308	1,341,888	-	2,166,196	1,792,392
Federal aid	3,278,231	189,961	-	3,468,192	3,436,773
Total revenues	6,624,958	2,592,792	243,348	9,461,098	8,836,546
Expenditures:					
Current:					
Instructional services	-	2,541,980	-	2,541,980	2,231,363
Noninstructional services	-	-	147,861	147,861	134,343
Food services	6,514,279	-	-	6,514,279	6,261,431
Total expenditures	6,514,279	2,541,980	147,861	9,204,120	8,627,137
Excess of revenues over expenditures	110,679	50,812	95,487	256,978	209,409
Other financing sources:					
Transfers out	-	(6,000)	-	(6,000)	(1,500)
Net change in fund balances	110,679	44,812	95,487	250,978	207,909
Fund balances - beginning	1,050,905	378,380	270,405	1,699,690	1,491,781
Fund balances - ending	\$ 1,161,584	\$ 423,192	\$ 365,892	\$ 1,950,668	\$ 1,699,690

NEBO SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Food Services
Nonmajor Special Revenue Fund
Year Ended June 30, 2005
With Comparative Totals for 2004

	2005			2004
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues:				
Local sources:				
Food sales - students	\$ 2,397,500	\$ 2,344,558	\$ (52,942)	\$ 2,248,970
Food sales - adults	155,000	147,072	(7,928)	135,638
Other local revenue	20,000	30,789	10,789	30,711
Total local sources	2,572,500	2,522,419	(50,081)	2,415,319
State sources:				
State lunch program	750,000	824,308	74,308	757,195
Total state sources	750,000	824,308	74,308	757,195
Federal sources:				
Federal lunch program	500,000	488,501	(11,499)	470,034
Free and reduced assistance	1,600,000	1,766,101	166,101	1,639,913
Breakfast program	400,000	432,759	32,759	366,851
Other	450,000	590,870	140,870	769,823
Total federal sources	2,950,000	3,278,231	328,231	3,246,621
Total revenues	6,272,500	6,624,958	352,458	6,419,135
Expenditures:				
Current:				
Salaries	1,878,697	1,969,701	(91,004)	1,933,385
Benefits	831,045	814,075	16,970	690,785
Purchased services	235,000	348,007	(113,007)	234,527
Supplies	407,425	273,490	133,935	396,336
Food	2,630,000	2,663,487	(33,487)	2,560,927
Equipment	180,000	162,170	17,830	275,774
Other	200,000	283,349	(83,349)	169,697
Total expenditures	6,362,167	6,514,279	(152,112)	6,261,431
Net change in fund balances	(89,667)	110,679	200,346	157,704
Fund balances - beginning	1,050,905	1,050,905	-	893,201
Fund balances - ending	\$ 961,238	\$ 1,161,584	\$ 200,346	\$ 1,050,905

NEBO SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Non K-12 Programs
Nonmajor Special Revenue Fund
Year Ended June 30, 2005
With Comparative Totals for 2004

	2005			2004
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues:				
Local sources:				
Property taxes	\$ 759,080	\$ 757,054	\$ (2,026)	\$ 723,781
Tuition and fees	137,297	104,374	(32,923)	99,396
Other local revenue	235,711	199,515	(36,196)	212,561
Total local sources	1,132,088	1,060,943	(71,145)	1,035,738
State sources:				
Adult high school completion	277,873	215,738	(62,135)	153,759
Preschool	949,170	949,170	-	752,500
Other state revenue	176,980	176,980	-	128,938
Total state sources	1,404,023	1,341,888	(62,135)	1,035,197
Federal sources:				
Special education preschool	143,315	145,510	2,195	141,150
Adult education	63,434	44,451	(18,983)	38,280
Other federal revenue	-	-	-	10,722
Total federal sources	206,749	189,961	(16,788)	190,152
Total revenues	2,742,860	2,592,792	(150,068)	2,261,087
Expenditures:				
Salaries	1,622,953	1,780,860	(157,907)	1,539,782
Benefits	522,705	546,408	(23,703)	462,806
Purchased services	47,000	49,801	(2,801)	76,078
Supplies	64,053	79,155	(15,102)	63,661
Equipment	75,297	57,589	17,708	65,969
Other	247,185	28,167	219,018	23,067
Total expenditures	2,579,193	2,541,980	37,213	2,231,363
Excess (deficiency) of revenues over (under) expenditures	163,667	50,812	(112,855)	29,724
Other financing sources (uses)				
Transfers out	(6,000)	(6,000)	-	(1,500)
Net change in fund balances	157,667	44,812	(112,855)	28,224
Fund balances - beginning	378,380	378,380	-	350,156
Fund balances - ending	\$ 536,047	\$ 423,192	\$ (112,855)	\$ 378,380

NEBO SCHOOL DISTRICT
Comparative Statements of Revenues, Expenditures and Changes in Fund Balances
Nebo Education Foundation
Nonmajor Special Revenue Fund
Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Revenues:		
Local sources:		
Contributions	\$ 236,682	\$ 151,819
Earnings on investments	6,666	4,505
Total revenues	<u>243,348</u>	<u>156,324</u>
Expenditures:		
Current:		
Grants and scholarships	132,614	133,492
Other expenditures	<u>15,247</u>	<u>851</u>
Total expenditures	<u>147,861</u>	<u>134,343</u>
Net change in fund balances	95,487	21,981
Fund balances - beginning	<u>270,405</u>	<u>248,424</u>
Fund balances - ending	<u><u>\$ 365,892</u></u>	<u><u>\$ 270,405</u></u>

FIDUCIARY FUND

School Investment Agency Fund -- This fund is used to account for the receipt and disbursement of monies associated with student activity organizations and other custodial type transactions within the individual schools. The District has a fiduciary responsibility concerning these accounts to ensure their safety and accountability.

NEBO SCHOOL DISTRICT
Statement of Changes in Assets and Liabilities
School Investments Agency Fund
Year Ended June 30, 2005

	Balances at July 1, 2004	Additions	Deductions	Balances at June 30, 2005
Assets:				
Cash and investments	\$ 3,263,233	\$ 9,543,773	\$ 9,327,712	\$ 3,479,294
Liabilities:				
Elementary Schools:				
Art City	\$ 53,713	\$ 152,947	\$ 139,150	\$ 67,510
Barnett	12,263	132,479	117,033	27,709
Brockbank	24,128	136,155	142,370	17,913
Brookside	23,197	76,179	69,830	29,546
Canyon	43,519	245,692	228,295	60,916
Goshen	68,807	113,831	113,610	69,028
Grant	87,794	135,837	132,367	91,264
Hobble Creek	17,646	206,815	184,688	39,773
Larsen	21,473	152,855	145,442	28,886
Mapleton	66,627	162,766	146,407	82,986
Mt. Loafer	71,656	166,193	150,104	87,745
Park	17,154	101,828	102,526	16,456
Park View	31,680	124,757	136,080	20,357
Rees	40,205	155,178	160,327	35,056
Sage Creek	65,524	161,712	128,147	99,089
Salem	13,750	146,529	141,741	18,538
Santaquin	37,648	152,853	139,161	51,340
Spanish Oaks	20,844	211,788	184,462	48,170
Spring Lake	44,983	199,754	206,867	37,870
Taylor	28,136	142,990	139,506	31,620
Westside	29,048	151,517	147,190	33,375
Wilson	79,945	122,007	117,440	84,512
Total elementary schools	899,740	3,352,662	3,172,743	1,079,659
Middle Schools:				
Payson	131,381	309,385	326,677	114,089
Spanish Fork	350,840	501,065	471,797	380,108
Springville	313,224	282,153	292,596	302,781
Total middle schools	795,445	1,092,603	1,091,070	796,978
Junior High Schools:				
Payson	76,323	463,859	447,134	93,048
Spanish Fork	198,531	423,837	398,570	223,798
Springville	154,566	386,666	327,411	213,821
Total junior high schools	429,420	1,274,362	1,173,115	530,667
High and Special Purpose Schools:				
Payson	303,362	1,167,998	1,235,906	235,454
Spanish Fork	398,284	1,235,320	1,178,301	455,303
Springville	358,509	1,237,699	1,270,822	325,386
Landmark	33,867	42,081	39,297	36,651
Young Parents	40,753	115,588	142,815	13,526
Nebo Learning Center	3,853	24,860	23,272	5,441
Oakridge	-	600	371	229
Total high and special purpose schools	1,138,628	3,824,146	3,890,784	1,071,990
Total liabilities	\$ 3,263,233	\$ 9,543,773	\$ 9,327,712	\$ 3,479,294



Statistical Section

NEBO SCHOOL DISTRICT
Comparative Statements of Net Assets
Governmental Activities
June 30

	2005	2004	2003
Assets:			
Cash and investments	\$ 72,446,567	\$ 18,499,807	\$ 21,592,481
Receivables:			
Property taxes	33,562,394	32,193,846	23,758,743
Other local	868,516	296,002	498,271
State	260,762	213,251	503,794
Federal	4,211,530	3,468,585	3,909,202
Inventories	1,262,857	1,163,633	1,310,132
Prepaid expenses	142,272	549,438	785,762
Insurance deposits	1,500,000	1,500,000	-
Bond issuance costs, net of accumulated amortization	1,189,035	910,243	1,062,940
Capital assets:			
Land, construction in progress, and water stock	43,819,886	21,228,225	16,267,398
Other capital assets, net of accumulated depreciation	143,213,592	143,478,601	146,440,366
Total assets	<u>302,477,411</u>	<u>223,501,631</u>	<u>216,129,089</u>
Liabilities:			
Accounts payable	7,400,229	3,224,387	4,178,982
Accrued interest payable	33,280	49,185	74,143
Accrued salaries payable	5,604,566	5,279,475	4,844,396
Deferred revenue:			
Property taxes	31,184,907	30,143,777	25,194,696
Other local	411,342	453,578	461,781
State	3,265,579	1,494,180	1,176,882
Federal	89,664	155,136	105,716
Noncurrent liabilities:			
Due within one year	10,929,761	11,542,838	8,664,519
Due in more than one year	145,721,899	86,800,302	98,134,157
Total liabilities	<u>204,641,227</u>	<u>139,142,858</u>	<u>142,835,272</u>
Net Assets:			
Invested in capital assets, net of related debt	81,122,588	71,057,489	60,705,257
Restricted for:			
Debt service	3,648,013	2,453,483	1,330,060
Capital projects	7,421,704	6,045,741	6,013,053
Food Services	1,161,584	1,050,905	893,201
Non K-12 programs	460,963	409,058	340,742
Nebo Education Foundation	365,892	270,405	248,424
Unrestricted	3,655,440	3,071,692	3,763,080
Total net assets	<u>\$ 97,836,184</u>	<u>\$ 84,358,773</u>	<u>\$ 73,293,817</u>

NEBO SCHOOL DISTRICT
Comparative Statements of Activities
Governmental Activities
Year Ended June 30

	2005	2004	2003
Expenses:			
Instructional services	\$ 86,314,131	\$ 79,626,016	\$ 73,222,345
Supporting services:			
Students	5,845,196	6,013,828	5,728,345
Instructional staff	4,260,966	4,094,358	4,168,218
District administration	413,783	645,924	73,050
School administration	7,231,834	6,822,165	6,295,258
Business	2,849,991	2,677,389	588,426
Operation and maintenance of facilities	12,118,664	11,428,212	9,804,328
Transportation	5,229,201	4,678,294	4,360,807
Central	303,904	200,202	2,312,600
Food services	6,654,483	6,506,259	5,713,910
Interest on long-term liabilities	4,992,898	4,521,934	4,934,772
Total expenses	<u>136,215,051</u>	<u>127,214,581</u>	<u>117,202,059</u>
Program revenues:			
Instructional services	28,813,344	27,904,069	33,177,237
Supporting services:			
Students	2,737,851	3,395,633	1,366,430
Instructional staff	1,717,754	1,444,317	943,119
District administration	385,696	373,145	-
School administration	81,598	86,539	-
Operation and maintenance of facilities	27,308	8,370	-
Transportation	2,781,744	2,546,547	2,952,450
Food services	6,624,958	6,419,136	5,518,153
Total program revenues	<u>43,170,253</u>	<u>42,177,756</u>	<u>43,957,389</u>
Net (expense) revenue	(93,044,798)	(85,036,825)	(73,244,670)
General revenues:			
Property taxes levied for:			
General purposes	15,005,863	13,127,093	10,364,601
Transportation	327,492	309,617	288,962
Recreation	764,149	723,781	672,977
Debt service	15,916,963	13,474,393	12,547,023
Capital outlay	6,810,160	6,441,652	5,999,758
Federal and state aid not restricted to specific purposes	63,766,956	58,756,628	50,611,012
Earnings on investments	1,199,903	415,585	797,371
Miscellaneous	2,730,723	2,853,032	1,639,917
Total general revenues	<u>106,522,209</u>	<u>96,101,781</u>	<u>82,921,621</u>
Change in net assets	13,477,411	11,064,956	9,676,951
Net assets - beginning	84,358,773	73,293,817	63,616,866
Net assets - ending	<u>\$ 97,836,184</u>	<u>\$ 84,358,773</u>	<u>\$ 73,293,817</u>

NEBO SCHOOL DISTRICT
Comparative Balance Sheets
General Fund
June 30

	2005	2004	2003
Assets:			
Cash and investments	\$ 11,679,161	\$ 8,909,435	\$ 10,328,427
Receivables:			
Property taxes	13,031,296	12,706,153	8,962,181
Other local	635,960	135,144	355,428
State	103,650	44,740	421,992
Federal	4,107,270	3,393,292	2,067,230
Inventories	555,959	555,534	564,158
Prepaid expenditures	135,170	401,777	370,742
Insurance deposits	1,500,000	1,500,000	-
Total assets	\$ 31,748,466	\$ 27,646,075	\$ 23,070,158
Liabilities and fund balances:			
Liabilities:			
Accounts payable	\$ 1,379,476	\$ 1,663,781	\$ 592,751
Accrued salaries	5,604,566	5,179,457	4,757,562
Deferred revenue:			
Property taxes	12,848,799	12,520,525	9,203,059
Other local	350,228	181,771	466,776
State	3,061,621	1,289,093	1,059,866
Federal	66,225	140,059	-
Total liabilities	23,310,915	20,974,686	16,080,014
Fund Balances:			
Reserved for:			
Inventories	555,959	555,534	564,158
Prepaid expenditures	135,170	401,777	370,742
Other commitments	2,408,777	-	-
Unreserved:			
Designated for:			
Undistributed reserve	5,150,000	5,150,000	5,150,000
Undesignated, reported in:			
General fund	187,645	564,078	905,244
Total fund balances	8,437,551	6,671,389	6,990,144
Total liabilities and fund balances	\$ 31,748,466	\$ 27,646,075	\$ 23,070,158

NEBO SCHOOL DISTRICT
Comparative Statements of Revenues, Expenditures, and Changes in Fund Balances
General Fund
Year Ended June 30

	2005	2004	2003
Revenues:			
Property taxes	\$ 15,191,002	\$ 11,878,053	\$ 10,653,563
Earnings on investments	667,973	396,808	620,618
Other local sources	2,363,827	2,559,391	1,674,512
State sources	84,290,428	78,693,261	75,031,401
Federal sources	9,849,950	9,890,956	8,281,294
Total revenues	112,363,180	103,418,469	96,261,388
Expenditures:			
Current:			
Instructional services	75,836,401	70,792,096	64,754,688
Supporting services:			
Students	5,697,335	5,879,485	5,728,345
Instructional staff	4,260,966	4,094,358	4,168,218
District administration	389,144	308,768	132,278
School administration	6,970,927	6,567,732	5,936,505
Business	2,825,352	2,654,424	571,140
Operation and maintenance of facilities	11,259,078	10,621,321	9,281,388
Transportation	4,588,865	4,073,620	3,783,767
Central	224,950	161,920	2,286,671
Total expenditures	112,053,018	105,153,724	96,643,000
Excess (deficiency) of revenues over (under) expenditures	310,162	(1,735,255)	(381,612)
Other financing sources (uses):			
Transfers in	1,456,000	1,416,500	740,000
Net change in fund balances	1,766,162	(318,755)	358,388
Fund balances - beginning	6,671,389	6,990,144	6,631,756
Fund balances - ending	\$ 8,437,551	\$ 6,671,389	\$ 6,990,144

NEBO SCHOOL DISTRICT
Debt Service Schedule of Outstanding General Obligation Bonds
June 30, 2005

Year Ending June 30	Series 2005B		Series 2005A		Series 2004		Series 2002A	
	Principal (Due 7/1)	Interest (Due 1/1 & 7/1)	Principal (Due 7/1)	Interest (Due 1/1 & 7/1)	Principal (Due 7/1)	Interest (Due 1/1 & 7/1)	Principal (Due 7/1)	Interest (Due 1/1 & 7/1)
2006	\$ -	\$ 2,536,363	\$ -	\$ 726,465	\$ -	\$ 378,005	\$ 4,205,000	\$ 126,150
2007	4,435,000	2,536,363	60,000	726,465	555,000	378,005	-	-
2008	2,575,000	2,403,313	65,000	724,935	570,000	361,355	-	-
2009	2,250,000	2,313,188	65,000	723,180	590,000	344,255	-	-
2010	2,840,000	2,223,188	70,000	720,905	605,000	320,655	-	-
2011	2,825,000	2,081,188	910,000	718,105	630,000	296,455	-	-
2012	3,290,000	1,968,188	935,000	679,430	650,000	264,955	-	-
2013	3,425,000	1,828,363	965,000	639,693	680,000	232,455	-	-
2014	3,565,000	1,682,800	1,000,000	598,680	705,000	198,455	-	-
2015	3,680,000	1,522,375	1,050,000	556,180	740,000	170,255	-	-
2016	3,820,000	1,356,775	1,095,000	511,555	770,000	140,655	-	-
2017	3,960,000	1,203,975	1,140,000	468,850	805,000	109,085	-	-
2018	4,110,000	1,025,775	1,185,000	423,250	845,000	75,275	-	-
2019	4,000,000	840,825	7,280,000	364,000	885,000	38,940	-	-
2020	14,685,000	660,825	-	-	-	-	-	-
Totals	\$ 59,460,000	\$ 26,183,500	\$ 15,820,000	\$ 8,581,693	\$ 9,030,000	\$ 3,308,805	\$ 4,205,000	\$ 126,150

1. The District is required to make payments fifteen days prior to an interest payment date under the Guaranty Act. For purposes of this chart, the July 1 payments are shown in the prior fiscal year.

Continued

NEBO SCHOOL DISTRICT
Debt Service Schedule of Outstanding General Obligation Bonds (continued)
June 30, 2005

Year Ending June 30	Series 2001A		Series 2001		Series 2000		Series 1998B	
	Principal (Due 7/1)	Interest (Due 1/1 & 7/1)	Principal (Due 4/1)	Interest (Due 4/1 & 10/1)	Principal (Due 7/1)	Interest (Due 1/1 & 7/1)	Principal (Due 7/1)	Interest (Due 1/1 & 7/1)
2006	\$ 625,000	\$ 18,750	\$ 1,555,000	\$ 128,800	\$ 700,000	\$ 209,550	\$ 1,040,000	\$ 1,128,748
2007	-	-	1,665,000	66,600	730,000	171,050	1,595,000	1,086,628
2008	-	-	-	-	765,000	130,900	3,405,000	1,021,233
2009	-	-	-	-	795,000	88,825	2,175,000	850,983
2010	-	-	-	-	820,000	45,100	2,280,000	742,233
2011	-	-	-	-	-	-	2,360,000	644,193
2012	-	-	-	-	-	-	2,470,000	540,353
2013	-	-	-	-	-	-	2,240,000	429,203
2014	-	-	-	-	-	-	2,335,000	326,163
2015	-	-	-	-	-	-	1,445,000	215,250
2016	-	-	-	-	-	-	965,000	143,000
2017	-	-	-	-	-	-	955,000	94,750
2018	-	-	-	-	-	-	940,000	47,000
2019	-	-	-	-	-	-	-	-
2020	-	-	-	-	-	-	-	-
Totals	\$ 625,000	\$ 18,750	\$ 3,220,000	\$ 195,400	\$ 3,810,000	\$ 645,425	\$ 24,205,000	\$ 7,269,733

1. The District is required to make payments fifteen days prior to an interest payment date under the Guaranty Act. For purposes of this chart, the July 1 payments are shown in the prior fiscal year.

NEBO SCHOOL DISTRICT
Debt Service Schedule of Outstanding General Obligation Bonds (continued)
June 30, 2005

Year Ending June 30	Series 1998		Series 1996		Totals		
	Principal (Due 7/1)	Interest (Due 1/1 & 7/1)	Principal (Due 6/15)	Interest (Due 6/15 & 12/15)	Total Principal	Total Interest	Total Debt Service
2006	\$ 135,000	\$ 1,425,303	\$ 480,000	\$ 25,920	\$ 8,740,000	\$ 6,704,053	\$ 15,444,053
2007	140,000	1,419,498	-	-	9,180,000	6,384,608	15,564,608
2008	150,000	1,413,408	-	-	7,530,000	6,055,143	13,585,143
2009	1,565,000	1,406,733	-	-	7,440,000	5,727,163	13,167,163
2010	1,655,000	1,336,308	-	-	8,270,000	5,388,388	13,658,388
2011	1,770,000	1,260,178	-	-	8,495,000	5,000,118	13,495,118
2012	1,865,000	1,176,988	-	-	9,210,000	4,629,913	13,839,913
2013	2,300,000	1,087,468	-	-	9,610,000	4,217,180	13,827,180
2014	2,425,000	974,768	-	-	10,030,000	3,780,865	13,810,865
2015	3,540,000	854,730	-	-	10,455,000	3,318,790	13,773,790
2016	4,270,000	677,730	-	-	10,920,000	2,829,715	13,749,715
2017	4,540,000	468,500	-	-	11,400,000	2,345,160	13,745,160
2018	4,830,000	241,500	-	-	11,910,000	1,812,800	13,722,800
2019	-	-	-	-	12,165,000	1,243,765	13,408,765
2020	-	-	-	-	14,685,000	660,825	15,345,825
Totals	\$ 29,185,000	\$ 13,743,108	\$ 480,000	\$ 25,920	\$ 150,040,000	\$ 60,098,483	\$ 210,138,483

1. The District is required to make payments fifteen days prior to an interest payment date under the Guaranty Act. For purposes of this chart, the July 1 payments are shown in the prior fiscal year.

NEBO SCHOOL DISTRICT
General Obligation Overlapping Indebtedness
June 30, 2005

Entity	2004 Taxable Value (1) (3)	District's Portion of Taxable Value	District's Percent of Taxable Value	Entity's G.O. Debt (2) (5)	District's Overlapping Debt
Utah County	\$ 18,046,931,187	\$ 3,487,113,162	19.32%	\$ 19,235,000	\$ 3,716,202
Elk Ridge Town	82,586,323	82,586,323	100.00%	-	-
Genola Town	37,676,837	37,676,837	100.00%	-	-
Goshen Town	20,769,677	20,769,677	100.00%	-	-
Mapleton City	306,285,716	306,285,716	100.00%	149,000	149,000
Payson City	554,543,119	554,543,119	100.00%	-	-
Salem City	192,960,024	192,960,024	100.00%	3,431,000	3,431,000
Santaquin City	169,528,149	169,528,149	100.00%	-	-
Spanish Fork City	981,035,948	981,035,948	100.00%	365,000	365,000
Springville City	1,072,770,090	1,072,770,090	100.00%	1,650,000	1,650,000
Woodland Hills City	68,957,279	68,957,279	100.00%	-	-
Central Utah Water Conservancy District (4)	80,662,914,952	3,487,113,162	4.32%	133,870,274	5,783,196
Total overlapping general obligation debt					15,094,398
Total direct general obligation bonded indebtedness					150,040,000
Total direct and overlapping general obligation debt					<u>\$ 165,134,398</u>

(1) Source: Utah County Financial Statements for the year ended December 31, 2004.

(2) Source: Entity financial statements for the year ended December 31, 2004.

(3) Taxable values include the value associated with the fees in lieu of ad valorem taxes for motor vehicles and other tangible personal property.

(4) Central Utah Water Conservancy District (CUWCD) outstanding general obligation bonds are limited ad valorem tax. Under current law, CUWCD may levy a tax rate of up to .0004 to pay for operation and maintenance expenses and any outstanding general obligation indebtedness.

(5) The State of Utah general obligation debt is not included in the calculation of Total Direct and Overlapping General Obligation Debt because the State currently levies no property tax for payment of general obligation bonds.

NEBO SCHOOL DISTRICT
Debt Ratios
June 30, 2005

	To 2004 Taxable Value	To 2004 Estimated Fair Market Value	Per Capita Debt (1)
Direct general obligation debt	3.65%	2.52%	\$ 1,523
Direct and overlapping general obligation debt	4.01%	2.77%	1,677

(1) Based on the U.S. Census Bureau's 2003 estimate of 98,489.

NEBO SCHOOL DISTRICT
Taxable and Estimated Fair Market Value

Tax Year Ended December 31	Taxable Value (1)	Percent Change	Estimated Fair Market Value (1)	Percent Change
2004	\$ 4,113,720,680	2.8%	\$ 5,952,837,871	3.6%
2003	4,001,111,576	4.1%	5,745,154,102	4.8%
2002	3,843,866,971	10.2%	5,481,461,079	10.2%
2001	3,487,098,548	16.8%	4,976,213,325	16.8%
2000	2,984,646,285	6.6%	4,258,754,104	7.4%
1999	2,799,185,733	2.2%	3,965,309,732	3.4%
1998	2,738,120,650	6.2%	3,833,950,193	6.0%
1997	2,578,103,853	12.5%	3,617,765,995	14.1%
1996	2,290,875,054	15.4%	3,170,427,826	14.3%
1995	1,984,821,539	17.7%	2,774,076,150	34.7%

(1) Valuations include the value associated with fees in lieu of ad valorem taxes for motor vehicles and other tangible personal property.

NEBO SCHOOL DISTRICT
Ten Largest Taxpayers
Tax Year Ended December 31, 2004

Taxpayer	Industry	Taxable Value (1)	Percent of Total Taxable Value
Kern River Transmission Company	Utility	\$ 75,561,410	1.837%
Pacificorp	Utility	31,511,596	0.766%
Questar Pipelines	Utility	26,276,521	0.639%
Mower Properties Inc.	Manufacturing	25,030,080	0.608%
Deseret Generation & Trans	Utility	21,885,454	0.532%
Stouffer Foods Corporation	Manufacturing	18,189,600	0.442%
Nature's Sunshine Products	Manufacturing	18,161,542	0.441%
Union Pacific Railroad	Railroad	17,487,388	0.425%
Longview Fibre Corporation	Manufacturing	14,192,000	0.345%
Western Distribution Inc.	Manufacturing	13,500,000	0.328%
		<u>\$ 261,795,591</u>	<u>6.364%</u>

(1) Source: Utah County Treasurer

NEBO SCHOOL DISTRICT
Summary of Taxable Value

	<u>2004</u>	<u>% of</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
	<u>Taxable Value (1)</u>		<u>Taxable Value (1)</u>	<u>Taxable Value (1)</u>	<u>Taxable Value (1)</u>	<u>Taxable Value (1)</u>
Centrally assessed properties	\$ 297,553,558	7.23%	\$ 316,342,699	\$ 274,330,849	\$ 259,147,722	\$ 232,264,043
Real properties:						
Primary residential	2,237,445,068	54.39%	2,120,653,763	1,990,799,204	1,811,434,194	1,548,638,401
Other residential	11,806,772	0.29%	13,602,258	13,171,482	11,755,687	11,214,582
Commercial and industrial	664,998,807	16.16%	611,946,569	602,002,100	512,795,056	475,067,087
Agricultural	38,448,878	0.93%	37,125,906	-	-	-
FAA	44,070,460	1.07%	27,335,046	182,878,435	187,691,988	176,406,020
Unimproved Non FAA	152,854,078	3.72%	148,296,356	44,854,351	42,204,377	43,277,031
Total real properties	3,149,524,063	76.56%	2,958,959,898	2,833,705,572	2,565,881,302	2,254,603,121
Personal properties:						
Primary mobile homes	10,364,832	0.25%	10,953,769	10,704,706	8,598,644	8,604,489
Secondary mobile homes	-	0.00%	-	-	-	-
Other business personal property	248,313,403	6.04%	234,821,891	258,296,623	282,009,395	266,092,075
Total personal properties	258,678,235	6.29%	245,775,660	269,001,329	290,608,039	274,696,564
Age-based value estimate (2)	339,986,639	8.26%	411,813,675	463,228,916	367,258,599	-
Fee-in-lieu property	67,978,185	1.65%	68,219,644	3,600,305	4,199,886	223,082,557
Total	\$ 4,113,720,680	100.00%	\$ 4,001,111,576	\$ 3,843,866,971	\$ 3,487,095,548	\$ 2,984,646,285

(1) Source: Utah State Tax Commission, Property Tax Division

(2) Age based revenue divided by .015

NEBO SCHOOL DISTRICT
Tax Collection Record

Tax Year Ended December 31	Total Taxes Levied (1) (2)	Treasurer's Relief (1) (3)	Net Taxes Collected	Delinquent Collections (1) (4)	Total Collections (5)	% of Net Tax Collected to Total Levied	% of Total Tax Collections to Total Levied
2004	\$ 33,532,453	\$ 2,762,611	\$ 30,769,842	\$ 1,869,264	\$ 32,639,106	91.76%	97.34%
2003	27,856,478	2,286,631	25,569,847	1,859,981	27,429,828	91.79%	98.47%
2002	25,808,395	2,262,631	23,545,764	1,683,112	25,228,876	91.23%	97.75%
2001	23,951,535	2,150,951	21,800,584	1,294,821	23,095,405	91.02%	96.43%
2000	20,216,776	2,007,033	18,209,743	1,739,701	19,949,444	90.07%	98.68%
1999	17,029,853	1,421,652	15,608,201	794,717	16,402,918	91.65%	96.32%
1998	15,269,064	1,132,671	14,136,393	251,379	14,387,772	92.58%	94.23%
1997	15,226,356	1,194,951	14,031,405	500,888	14,532,293	92.15%	95.44%
1996	13,977,711	642,959	13,334,752	423,537	13,758,289	95.40%	98.43%
1995	12,346,632	207,628	12,139,004	396,935	12,535,939	98.32%	101.53%

(1) Source: Utah County Treasurer's Annual Settlement with Taxing Entities report

(2) Based on assessed values which do not include fee in lieu property

(3) Includes unpaid taxes, abatements, tax sales and subsequent sales, and other relief. The unpaid taxes and abatements are items levied against the property, but are never collected or paid to the entity

(4) Includes delinquent tax, interest, penalties, and miscellaneous collections

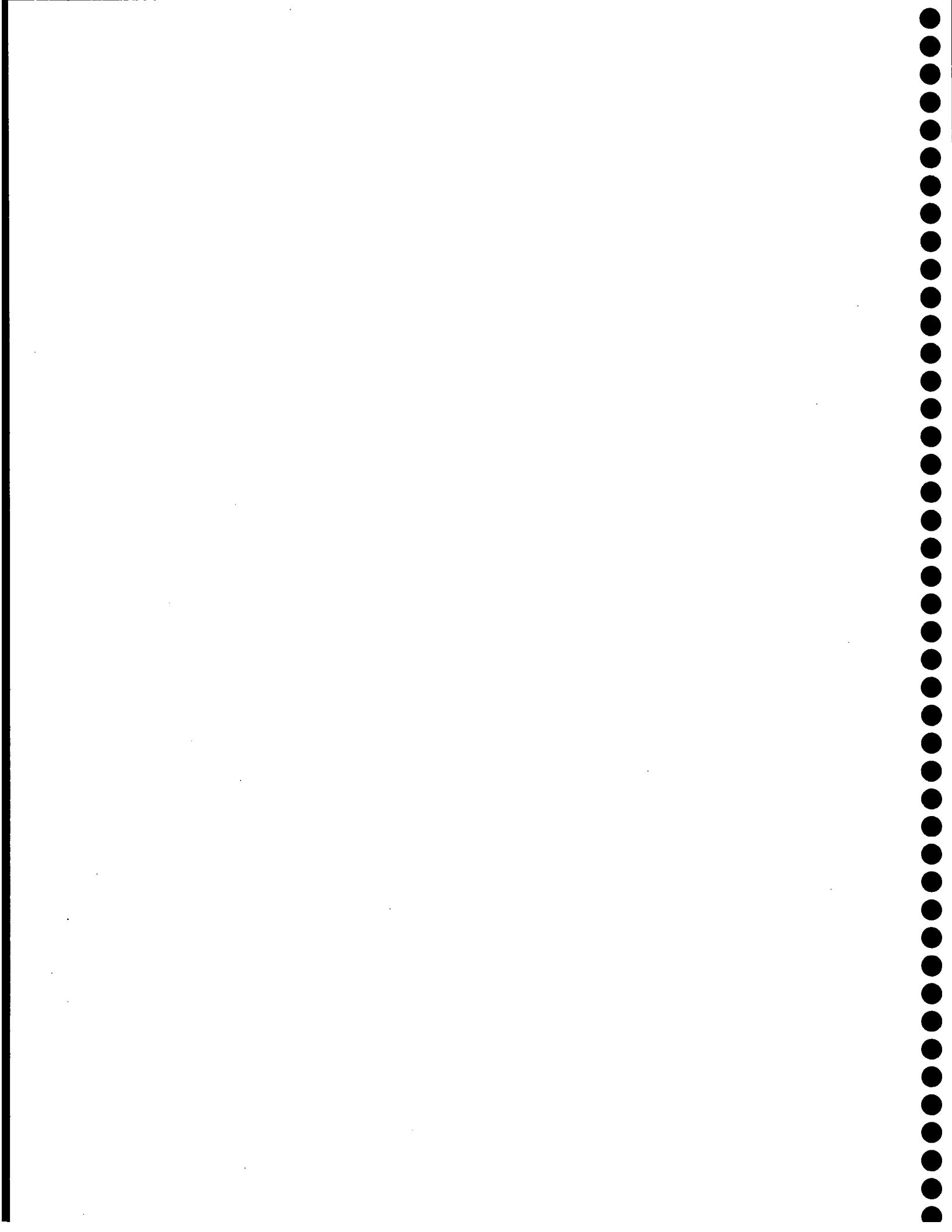
(5) Does not include collected fee in lieu from 1997 forward

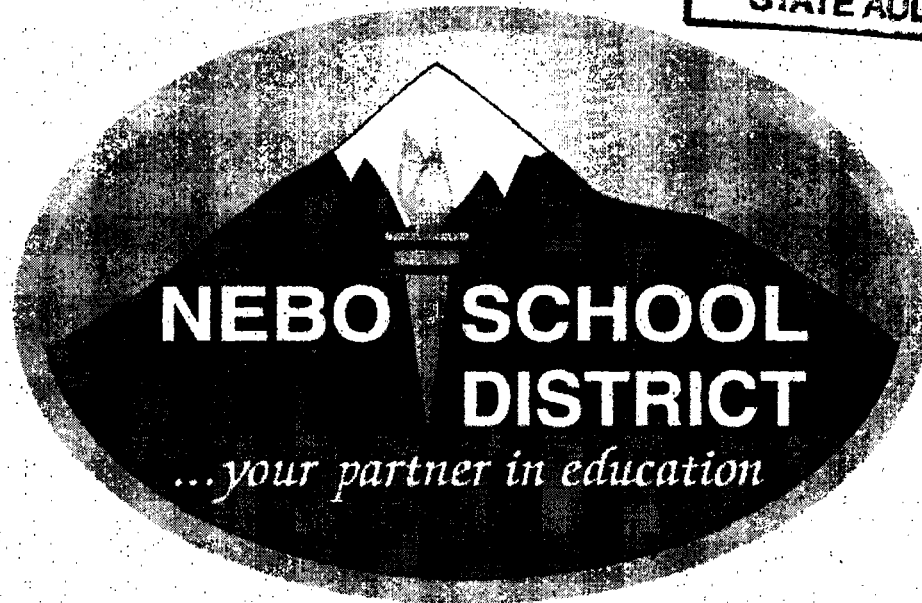
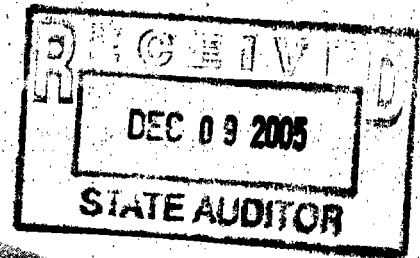
NEBO SCHOOL DISTRICT
Property Tax Rates

Levy	Tax Year Ended December 31									
	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
General Fund	0.001800	0.001825	0.001807	0.001785	0.001881	0.001840	0.001840	0.001950	0.002046	0.002640
Voted Leeway	0.001200	0.000600	0.000529	0.000550	0.000589	0.000397	0.000379	0.000397	0.000400	0.000400
Board Leeway	0.000400	0.000400	0.000349	0.000363	0.000389	0.000397	0.000379	0.000397	0.000400	0.000400
K-3 Reading	0.000121	-	-	-	-	-	-	-	-	-
Transportation	0.000078	0.000077	0.000076	0.000079	0.000085	0.000087	0.000085	0.000089	0.000080	0.000108
Tort Liability	0.000053	0.000052	0.000041	0.000043	0.000046	0.000047	0.000046	0.000048	0.000058	0.000040
Judgment	-	-	-	-	-	-	0.000133	0.000050	-	-
Recreation	0.000182	0.000180	0.000177	0.000184	0.000197	0.000201	0.000190	0.000199	0.000115	0.000108
Debt Service	0.003791	0.003351	0.003300	0.003300	0.002648	0.002100	0.002225	0.002236	0.002481	0.001761
Capital Outlay	0.001622	0.001602	0.001578	0.001642	0.001757	0.001795	0.001311	0.001374	0.001383	0.001388
	<u>0.009247</u>	<u>0.008087</u>	<u>0.007857</u>	<u>0.007946</u>	<u>0.007592</u>	<u>0.006864</u>	<u>0.006588</u>	<u>0.006740</u>	<u>0.006963</u>	<u>0.006845</u>

NEBO SCHOOL DISTRICT
Historical Property Tax Collections by Fund

Tax Year Ended December 31	General Fund		Transportation		Tort Liability		Recreation		Debt Service		Capital Outlay		Total
	\$		\$		\$		\$		\$		\$		
2004	14,646,089		324,452		220,461		757,054		15,769,201		6,746,935		38,464,192
2003	11,359,345		309,617		209,091		723,781		13,474,393		6,441,652		32,517,879
2002	10,208,714		288,962		155,887		672,977		12,547,023		5,999,758		29,873,321
2001	9,469,980		277,290		150,930		645,840		11,583,000		5,763,419		27,890,459
2000	9,192,187		225,543		122,058		628,541		8,448,615		5,605,821		24,222,765
1999	8,062,079		266,287		143,856		615,215		6,427,626		5,494,089		21,009,152
1998	7,378,683		229,655		124,284		513,347		6,011,560		3,542,092		17,799,621
1997	7,366,971		234,667		126,562		524,705		5,895,686		3,622,841		17,771,432
1996	7,497,523		174,361		113,335		270,260		3,838,121		3,025,163		14,918,763
1995	8,731,473		257,422		135,668		257,422		3,574,784		2,693,787		15,650,556
1994	8,089,921		239,111		125,932		239,111		2,625,438		1,879,412		13,198,925





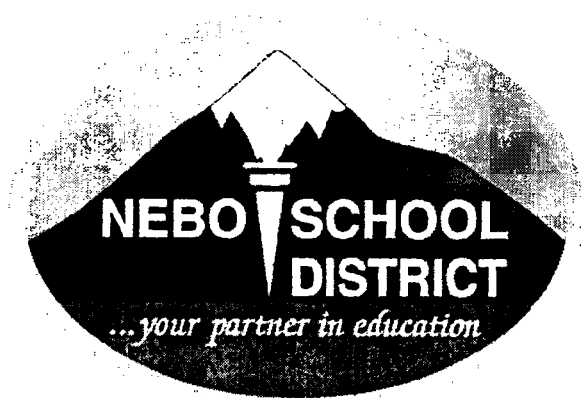
SINGLE AUDIT REPORT

For the
Fiscal Year Ended
June 30, 2005

350 South Main
Spanish Fork, Utah 84660
www.Nebo.edu

NEBO SCHOOL DISTRICT
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Year Ended June 30, 2005

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Chris Sorensen
Superintendent

Tracy Olsen
Business Administrator

350 SOUTH MAIN STREET □ SPANISH FORK, UTAH 84660
PHONE (801) 354-7400 □ FAX (801) 798-4010

November 30, 2005

To the Members of the Board of Education and the Patrons of Nebo School District:

We are pleased to introduce Nebo School District's annual Single Audit report for the fiscal year ended June 30, 2005. This report is published to meet federally mandated requirements designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the District's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards.

This report is prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) and audited by Squire & Company, PC, a firm of licensed certified public accountants, in accordance with auditing standards generally accepted in the United States of America. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation rests with the District. Management assumes full responsibility for all of the information presented in this report. The District believes that the presentation of the report is accurate in all material respects.

Squire & Company, PC, has also audited the District's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2005 are free from material misstatement. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unqualified opinion that the District's financial statements for the fiscal year ended June 30, 2005 are fairly presented in conformity with GAAP. This report is available in the District's separately issued financial statements.

If you have any questions concerning this report or need additional financial information, please contact the Office of the Business Administrator, Nebo School District, 350 South Main, Spanish Fork, Utah 84660.

Respectfully submitted,

Chris Sorensen
Superintendent

Tracy Olsen
Business Administrator

NEBO SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2005

<u>Federal Grantor / Pass Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>District's Program Number</u>	<u>(Deferral) Receivable June 30, 2004</u>	<u>Received</u>	<u>Expended</u>	<u>(Deferral) Receivable June 30, 2005</u>
U.S. Department of Agriculture:							
Passed through State Office of Education:							
Food Donation (Commodities)	10.550	n/a	8001	\$ -	\$ 590,870	\$ -	-
School Breakfast Program	10.553	44	8001	-	432,759	432,759	-
National School Lunch Program	10.555	42	8001	-	1,766,101	1,766,101	-
National School Lunch Program	10.555	43	8001	-	488,501	488,501	-
Passed through Utah County Forest Reserve:							
Schools and Roads - Grants to States	10.665	n/a	1050	-	13,639	13,639	-
Total U.S. Department of Agriculture				-	3,291,870	3,291,870	-
U.S. Department of Justice:							
Passed through Utah Department of Human Services:							
Title V - Delinquency Prevention Program	16.548	4PO8	1096	10,872	52,027	58,197	17,042
U.S. Department of Education:							
Direct:							
Indian Education - Grants to Local Educational Agencies	84.060	n/a	7330	-	26,028	40,482	14,454
Fund for the Improvement of Education (FIE)	84.215	n/a	7390	14,866	152,527	136,489	(1,172)
Twenty-First Century Community Learning Centers	84.287	n/a	7700	60,644	967,547	930,048	23,145
Passed through State Office of Education:							
Adult Education - State Grant Program	84.002	33	7580	(15,077)	37,134	44,451	(7,760)
Title I Grants to Local Educational Agencies	84.010	08	7545	547,459	1,694,734	1,703,275	556,000
Migrant Education - State Grant Program	84.011	11	7548	59,960	204,157	226,099	81,902
Special Education - Grants to States	84.027	19	7551	1,019,503	3,327,315	3,954,815	1,647,003
Vocational Education - Basic Grants to States	84.048	12	6000	270,997	270,997	257,954	257,954
Federal English Acquisition	84.365	57	5365	3,380	3,380	73,572	73,572
Special Education - Preschool Grants	84.173	52	7701	75,293	132,222	145,510	88,581

Continued

The accompanying notes are an integral part of this statement.

NEBO SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2005

Federal Grantor / Pass Through Grantor / Program Title	Federal CFDA Number	Pass-Through Grantor Number	District's Program Number	(Deferral) Receivable June 30, 2004	Received	Expended	(Deferral) Receivable June 30, 2005
Safe and Drug-Free Schools and Communities - National Programs	84.184	59	5054	10,980	22,332	15,015	3,663
Safe and Drug-Free Schools and Communities - State Grants	84.186	09	7601	36,768	80,386	80,174	36,556
Education for Homeless Children and Youth	84.196	28	7950	12,663	31,005	33,721	15,379
State Grants for Innovative Programs	84.298	T903	7513	-	100,000	100,000	-
State Grants for Innovative Programs	84.298	90	7517	38,023	138,631	97,825	(2,783)
Education Technology State Grants	84.318	84	7506	117,793	210,181	172,379	79,991
Neglected and Delinquent	84.013		7547	-	-	20,020	20,020
Improving Teacher Quality State Grants	84.367	74	7507-7508	99,964	604,745	729,222	224,441
Teacher Quality State Grant	84.336		1097	-	30,413	30,413	-
Passed through Utah Valley State College:							
Tech Prep Education	84.243	26	6950	-	28,020	28,020	-
Passed through Provo School District:							
Safe and Drug-Free Schools and Communities - State Grants	84.186	n/a	7725	40,394	180,078	139,684	-
Total U.S. Department of Education				2,393,610	8,241,832	8,959,168	3,110,946
U.S. Department of Health and Human Services:							
Passed through Utah Department of Health:							
Medical Assistance Program	93.778	n/a	1200	-	899,995	899,995	-
Passed through Jordan School District:							
Medical Assistance Program	93.778	n/a	7750	898,617	-	95,261	993,878
Total U.S. Department of Health and Human Services				898,617	899,995	995,256	993,878
Corporation for National and Community Service:							
Passed through State Office of Education:							
Learn and Serve America - School and Community Based Programs	94.004	53	7604	10,350	24,001	13,651	-
Total federal awards				\$ 3,313,449	\$ 12,509,725	\$ 13,318,142	\$ 4,121,866

The accompanying notes are an integral part of this statement.

NEBO SCHOOL DISTRICT
Notes to Schedule of Expenditures of Federal Awards
June 30, 2005

1. GENERAL

The schedule of expenditures of federal awards presents the activity of all federal programs of Nebo School District. The District reporting entity is defined in Note 1 to the District's basic financial statements. All federal financial awards received directly from federal agencies as well as federal financial assistance passed through from other governmental agencies are included in the schedule.

2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting for assistance received by governmental funds, which is described in Note 1 to the District's basic financial statements. Donated food commodities are reported at fair value when received.

3. RELATIONSHIP TO DISTRICT'S FINANCIAL STATEMENTS

Federal financial award revenues for the year ended June 30, 2005, are reported in the District's financial statements as follows:

General Fund	\$ 9,849,949
Special Revenue Funds:	
Non K-12 Programs	189,961
School Food Services	3,278,231
Total federal award revenues	<u>\$ 13,318,141</u>



**Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
With Government Auditing Standards**

Board of Education
Nebo School District

We have audited the financial statements of Nebo School District as of and for the year ended June 30, 2005 and have issued our report thereon dated August 26, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Nebo School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Nebo School District in a separate letter dated August 26, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Nebo School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified users.

Squire & Company, PC

August 26, 2005



**Independent Auditor's Report on Compliance with
Requirements Applicable to Each Major Program and Internal
Control over Compliance in Accordance with OMB Circular A-133,
Audits of States, Local Governments, and Non-Profit Organizations**

Board of Education
Nebo School District

Compliance

We have audited the compliance of the Nebo School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of the major federal programs for the year ended June 30, 2005. Nebo School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Nebo School District's management. Our responsibility is to express an opinion on Nebo School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Nebo School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Nebo School District's compliance with those requirements.

In our opinion, Nebo School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Nebo School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Nebo School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws,

regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of Nebo School District as of and for the year ended June 30, 2005 and have issued our report thereon dated August 26, 2005. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified users.

Squire & Company, PC

August 26, 2005

NEBO SCHOOL DISTRICT
Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2005

No matters were reported in the prior year.

NEBO SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2005

1. SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued: unqualified

Internal control over financial reporting:

-Material weakness(es) identified? yes X no

-Reportable condition(s) identified that are not considered to be material weaknesses? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards:

Internal control over major programs:

-Material weakness(es) identified? yes X no

-Reportable condition(s) identified that are not considered to be material weakness(es)? yes X none reported

Type of auditor's report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.287	21 st Century
84.010	Title 1
84.367	Improving Teacher Quality State Grants

Dollar threshold used to distinguish between type A and type B programs: \$ 399,832

Auditee qualified as low-risk auditee? X yes no

2. FINANCIAL STATEMENT FINDINGS

No matters were reported.

NEBO SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2005

3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

Squire & Company, PC

Certified Public Accountants and Business Consultants

1329 SOUTH 800 EAST • OREM, UTAH 84097-7700 • (801) 225-6900 • FAX (801) 226-7739



Independent Auditor's Report on Legal Compliance in Accordance with the *Utah State Legal Compliance Audit Guide*

Board of Education
Nebo School District

We have audited the financial statements of Nebo School District as of and for the year ended June 30, 2005 and have issued our report thereon dated August 26, 2005. As part of our audit, we have audited the District's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; and special tests and provisions applicable to each of its major state assistance programs as required by the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2004. The District received the following major state assistance programs from the State of Utah (each passed through the State Office of Education):

Minimum School Program
School Building Program
Fall Enrollment and Dropout Reporting

Driver Education
Student Membership Reporting
Adult Education Reporting

The District also received non-major state grants, which are not required to be audited for specific compliance requirements; however, these grants were subject to test work as part of the audit of the District's financial statements.

Our audit also included test work on the District's compliance with those general compliance requirements identified in the *State of Utah Legal Compliance Audit Guide* including:

Public Debt
Purchasing Requirements
Truth in Taxation and Property Tax Limitations

Cash Management
Budgetary Compliance
Other General Compliance Issues

The management of the District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed instances of noncompliance with requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, except for the noncompliance described in the preceding paragraph, Nebo School District complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major state assistance programs for the year ended June 30, 2005.

Squire + Company, PC

August 26, 2005



Letter to Management

August 26, 2005

Board of Education
Nebo School District

In planning and performing our audit of the financial statements of Nebo School District for the year ended June 30, 2005, we noted certain matters for your consideration. This letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated August 26, 2005, on the financial statements of the District. Also, reportable conditions and material internal control weaknesses, if any, are included in our reports dated August 26, 2005, in accordance with *Government Auditing Standards* and the provisions of Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Current year comments

Reporting Period - We noted that some expenditures were recorded in the accounting period budgeted for, rather than in the accounting period incurred. We recommend that year-end cut-off procedures be reviewed and additional training be given to accounts payable personnel so that all expenditures are recorded in the accounting period incurred.

Management's Response: We concur and will carefully review all categorical programs at year-end so that revenues and expenditures are properly matched in the same accounting period. We will provide additional training and supervision regarding timing of expenditure recognition.

Budgetary Compliance - Utah Code 53A-19 requires that a school district shall not incur expenditures in excess of the total appropriation for any fund. Actual expenditures in the food services fund and debt service fund exceeded budgeted appropriations by \$152,112 and \$91,272, respectively. We recommend that actual expenditures and budgets be carefully reviewed near year end so that expenditure budgets can be appropriately amended, if necessary.

Management's Response - We concur and will review year-end budgets and expenditures accordingly.

Purchasing - During our testing of compliance with purchasing policies, we found that the policy requiring purchase orders was not consistently followed in that some goods and services were purchased before a purchase order was issued. We recommend that business administration review the current policy and make revisions so that the policy is practical and accomplishes the required objectives.

Management's Response – We will monitor compliance with current policy to determine if its objectives are being accomplished and, if necessary, implement revisions.

Journal Entries – We noted that several accounting personnel can make accounting entries to the general ledger without approval or supervision. We recommend that all accounting journal entries be approved by a supervisor and documentation of the approval, the purpose, and the maker of each general journal entry be maintained.

Management's Response – We will consider implementing these controls as part of our effort to strengthen controls and monitor access to accounting data.

Documentation – Of forty expenditure transactions tested relating to federal programs, we noted that supporting documentation relating to four transactions was incomplete or was missing. Through further inquiry we were satisfied that the expenditures were reasonable and allowable, but we recommend that adequate supporting documentation be required, without exception.

Management's Response – We appreciate the comment and will emphasize to program managers the District's policy of requiring supporting documentation before payment is approved.

New Standards – Government Accounting Standards Board Statement No. 44, *Economic Condition Reporting: The Statistical Section*, is effective for periods beginning after June 15, 2005. This new standard amends prior guidance on the preparation of statistical information that is included with financial statements. We encourage review of this new standard and suggest the District gather information it intends to present within the statistical section of future financial reports.

We will review the status of these comments during our next audit engagement. We have already discussed in detail these comments and suggestions with management and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing recommendations. We appreciated being able to work with District personnel in our audit. We note those we worked with in the audit and reporting process were very responsive and helpful. We also note management's ability and sensitivity to display and communicate an appropriate attitude regarding internal control and the financial reporting process.

Sincerely,

Squire & Company, PC

Squire & Company, PC